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SHANGHAI: CITY FOR SALE

by Ernest O. Hauser

HARCOURT, BRACE AND COMPANY, NEW YORK

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first edition

Thanks are due to the editors of the
New York Times, the *American Mer-*
cury, *Survey Graphic*, and *Travel* for
permission to reprint material which
originally appeared in these magazines.

Typography by Robert Josephy

PRINTED IN THE UNITED STATES OF AMERICA
BY QUINN & BODEN COMPANY, INC., RAHWAY, N. J.

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CHAPTER I

The Foreign Devils

ON the dark and squally night of June 11, 1842, the British man-of-war *Nemesis* slipped unnoticed into the mouth of the Yangtze River and dropped anchor near the Woosung forts, twelve miles below Shanghai.

The *Nemesis* was the first steamer ever to double the Cape of Good Hope. She had left Liverpool under secret orders, on a secret mission, and she carried two brand-new thirty-two pounders; she was the pride of the British flotilla that had crept up the Yangtze mouth that night and that was now assembled there below Shanghai, ready for action.

Action was taken in a few days—swift, efficient, British action. The thirty-two pounders opened fire upon the forts, and the Chinese soldiers and mandarins were much impressed with British “cannon balls innumerable, flying in awful confusion through the heavenly expanse.” The Chinese war junks ran away as fast as their paddle wheels would move them, the Chinese garrison fled after a brief, heroic fight, and the Woosung forts were taken. “No one who witnessed the obstinacy and determination with which the Chinese defended themselves would refuse them full credit for personal bravery,” reported the victors. Their guns and bayonets, however, were better weapons than swords and spears. The way to Shanghai was free.

And this was how the West took the city of Shanghai.

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Colonel Montgomerie of the British forces, with a thousand men, marched on Shanghai overland, along the bank of the Whangpoo River for whose defense the Woosung forts were built. The ships moved on, upstream. When the *Nemesis* landed the 55th Regiment on a little jetty, Montgomerie had already entered the city. He had found no one at the north gate, and the two harmless-looking guns which were mounted there were deserted by their crew. So he told two of his men to scale the wall and open the gate from the inside. He pushed into a teeming, squalid, scrambling town, with some hundred thousand Chinese people who were scared to death and very obliging. Many of the well-to-do had left the city in great haste, and the rabble had just started to loot their residences when the British moved in.

The British saw that the place was rich and important, and decided not to give it up to plunder. Instead, the admiral published a proclamation which his men thought was extremely funny. "Under the canopy of heaven and within the circumference of the earth, many are the different countries," it read. "Of the multitude of these, no one is there that is not ruled by the Supreme Heavenly Father, nor are there any that are not brethren of one family. Being then of one family, very plain is it that they should hold friendly and brotherly intercourse together, and not boast themselves one above the other." Then the English helped themselves to some of the ice that was stored in immense public ice houses, collected a £145,000 ransom, and moved on to Nan-king.

This was not the first time white men had come to Shanghai. A certain Mr. Lindsay had been there ten years before, on a trip along the China coast which was sponsored by the East India Company. He had looked around and written back to his company that "the advantages which foreigners,

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especially the English, would derive from the liberty of trade with this place are incalculable." He was most enthusiastic about the commercial facilities of the port which "in point of fact, is the seaport of the Yangtze-kiang and the principal emporium of eastern Asia." Mr. Lindsay was a Briton and a business man. "Is it unreasonable," he asked his head office, "to turn an anxious eye to these hitherto almost unknown parts of the globe, to find new outlets for our English manufactures now when all the nations of Europe are straining every nerve to exclude the produce of English industry from their markets? Here is a nation in population nearly doubling that of all Europe, combined with a seacoast of fully 3,000 miles, abounding with the finest rivers and harbors in the world. Its ports and cities are filled with an industrious, enterprising, wealthy and commercial population, who would all hail the establishment of foreign trade with joy. "Considering the extraordinary advantages which this place [Shanghai] possesses for foreign trade," Mr. Lindsay mused, "it is wonderful that it has not attracted more observation."

The East India Company had at that time a monopoly of trade with China, and the Company was very stodgy and very slow to move. But Britain was in the throes of the industrial revolution. Its textile mills were sending their products all over the globe; there was much money and much enterprise. The air-tight monopoly of a semi-feudal company whose ships were the only ones permitted to trade with China's millions did not, therefore, serve British commercial needs. Competing interests found ways and means of breaking through the monopoly—an increasing share of British trade with China was carried on under the American flag. It was an open scandal, and the monopoly was canceled. The free-for-all scramble for the unexplored riches of the Celestial Empire began.

Strangely enough, during the transition from monopoly

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to free trade everybody knew there would be a war. The Chinese authorities considered foreign traders either as devils or simply as barbarians, forced them into shameful segregation in a suburb of Canton, and humiliated them profusely. As long as all the trade was handled by one monopolistic concern, it had been relatively easy to comply with the unfriendly whims of the Chinese. An impersonal, conservative monopoly concern could tolerate insults. Individual Englishmen, to whom the trade was now given, were not expected to submit to abuse. They were, for one thing, not expected to limit their activities to the suburb of Canton. Of all places, this was about the worst for trading in China: silk and tea, the major articles for export, had to be shipped from the north across half the continent, and British woolens, which were counted on as a source of increasing revenue, were fingered with much skepticism by people who did not know any really cold weather. British traders wanted to do business with the Chinese all along the coast; and they wanted to do business on a level of equality, not as barbarians, not as devils.

This British desire for a wider sphere of operations precipitated Britain's first war with China. It was called the "Opium War" because the British urge to swamp China with India-grown opium and the Chinese refusal to take it were its tangible cause.

There is no doubt about the wanton aggression that marked the beginning of this undeclared war, nor about the singular brutality with which the British soldiers sacked peaceful cities, burned public buildings, looted, plundered and murdered, and compelled Chinese girls to blacken their faces to conceal their beauty. There was much ruthless bayoneting. Sacred temple quarters were soiled, exquisite wood carvings were used for camp fires. And British soldiers watched old men, women, and even children, cutting each

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other's throats in utter despair, or drowning themselves. "The lament of the fatherless, the anarchy, the starvation and the misery of the homeless wanderers," says the East India Committee of the Colonial Society in London in 1842, "are the theme of a frightful triumph. But, to the Chinese they are the subject of brooding thoughts, destined one day to find, in a wide and bloody retribution, their fittest utterance."

To strike swiftly at the Imperial Government, the *Nemesis* and the other ships had been sent up to the Yangtze, and their mission was a complete success. After they had shelled and sacked a number of towns, and taken Shanghai in their stride, they moved on to Nanking and the peace was signed. While the public back home in England was frank enough to admit that it was "extorted from the Chinese under terrors which were irresistible," and while the Chinese Emperor told his subjects that he hated himself for not living up to his duties, Britain's traders got exactly what they wanted. They were to be treated as equals, and five Chinese ports were opened to British trade.

Shanghai was one of these ports. Like most commercial cities it had no noble pedigree; it had risen from the ranks, and there was no glory in its history. Some time, during the Thirteenth Century, the Mongol Emperor had given it a charter and a name—Shanghai, Above the Sea. Its sober, industrious people had built a wall around it because they were annoyed and harassed by Japanese pirates who came for booty. And slowly the city had grown, without the Emperor, without the mandarins, solely on the strength of commerce. When the English took it, it was a third-class town.

After the conclusion of peace, the first party of English visitors in Shanghai roved through the noisy streets with open eyes. They were surprised that the Chinese soldiers

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who escorted them carried no arms. Instead, they had fans tied around waists, and whips "with which they cleared the way in apparent good will." There were long, neatly paved streets, quite narrow, lined with shops and stores. There were temples with strange idols, and there were tea houses, surrounded by gardens and ponds, where Shanghai's more substantial citizens had a cup of green tea and a pipe. There were crowds of people on either side of the streets, each trying to raise his shaven head so as to catch a glimpse of the strangers. "If we may judge of civilization by the quiet, sober, deferential bearing of a large body of people crowded together in narrow streets," one of the more thoughtful Englishmen wondered, "certainly the Chinese deserve to bear the palm."

The visitors spent the night in a deserted joss house, and the Chinese came and sat down in front of them and stared at them with blank faces, comfortably. The English offered them some brandy, and they liked it. The English offered them some Indian rupees, with Queen Victoria's head on them, and the Chinese paid half a dollar each for them—"being rather more than their value." Finally, one of the high-ranking mandarins of the city came to pay the strangers a visit. He was announced by criers and runners, whip-carriers followed, then two executioners with chains in their hands. The mandarin's heavy, painted sedan chair was followed by "a couple of dirty-looking fellows with gigantic fans" and two or three men on ponies. And although this first casual encounter between the newcomers and Shanghai's *ancien régime* was of a purely social nature, it foreshadowed their future relationship: the English were pleased with the well-bred manners of the dignitary; but "no one except ourselves dared to sit in his presence," they reported later.

Captain George Balfour of the Madras Artillery was the first British consul to be stationed in Shanghai. He arrived,

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one evening in November, 1843, on the steamer *Medusa*. The little ship was crammed with furniture and provision and even the deck was stuffed full with cases of wine, groceries, and the personal belongings of the consul and the handful of white men who had traveled with him. As no one was there to greet him, the Captain, who had come to open Shanghai to foreign trade and to establish the British settlement there, decided to stay aboard until the next morning. The party assembled for dinner in the cabin; and, by the light of a few flickering oil lamps, they drank a toast to "the future greatness and glory of the port"—a toast to Shanghai.

The next morning the Captain sent word to the *taotai*, the local official in charge of the town, that he was eager to talk things over with him. And, after some hesitation, the honorable mandarin sent a group of porters with some dilapidated sedan chairs. When they were carried to the *taotai*'s residence, half the population of Shanghai seemed to have turned out to stare at them.

The *taotai* was polite, but adamant when the consul suggested that he wished to find a house to live in. Indeed, the *taotai* was sorry, but there were no vacant houses in Shanghai, neither within the city walls nor in the suburbs. The consul's protestations were in vain, as was his expressed determination that, failing to find other shelter, he would stake his tent in one of the large temples; he was, he said, a soldier and he had slept in tents before. When he left the *taotai*'s office, the Chinese exploded three very noisy fire crackers, as a salute.

Outside, a thick crowd was watching the embarrassed strangers. Out of that crowd stepped a well-groomed Chinese dressed in a fur-lined coat. He bowed to the consul and then bowed to the interpreter, Mr. Medhurst. He introduced himself: Yao, the merchant. He knew of a house that the foreign

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gentlemen would surely find to their liking. They followed him, surprised and somewhat suspicious, to a large building inside the city walls, on one of the main streets of Shanghai. This was his house, said Mr. Yao, and the consul could have it for four hundred dollars a year. They closed the deal then and there, and the four white men—the consul, the interpreter, the surgeon Dr. Hale, and A. F. Strachan, the clerk—moved in.

It was a truly tremendous house, with fifty-two rooms, luxuriously furnished. It was not quite like home, of course, and there were several annoyances the inhabitants had to put up with. There were no fireplaces in the bedrooms upstairs. There were the Chinese servants who did not understand the reasons for this and the reasons for that. Why did the strangers have to eat so much? Why did they have to have meat and fresh milk? At the beginning they attempted to serve them human milk. Equally unconventionally, they marched into the dining room in single file, chanting their rhythmic songs, as if they were carrying bales of silk or cotton instead of dishes and plates.

Yao, the landlord, had had a good reason for being so friendly. He was one of the most prominent merchants of the city and partner of a Chinese firm at Hong Kong. Once his guests were established in their new quarters, he approached them with a proposition: if he, Yao, would obtain a monopoly of trade with the foreign merchants in Shanghai, everything would be easy and just as comfortable as his house. Consul Balfour did not think that a monopoly was a good idea.

The house of the foreigners soon became the major attraction of the town. For the first few days, the Chinese came to see it as one goes to see a museum. Hordes of visitors, men, women, and children, were wandering through the rooms all day. They went upstairs and watched the white

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men in the most intimate details of their daily life: eating, shaving, washing, reading, sleeping. The consul had to use threats to induce Yao to close his house. Yao then restricted visits to his own relatives and friends.

Work was thenceforth possible but by no means easy. The consul's first task was the establishment of a settlement in which foreign merchants could live and transact business. But no one knew *where* the foreign community was going to settle. While the peace treaty gave British subjects and their families the right "to reside for the purpose of carrying on their mercantile pursuits, without molestation or restraint," the parties had forgotten to fix a site for the settlement. The Captain made the selection in concert with the *taotai* who remained cool but polite. He chose the site along the muddy bank of the Whangpoo River, a stretch of swamps and marshland, reedy, uninviting, and completely neglected by the inhabitants of the walled city.

Captain Balfour was a far-seeing man. The fact that the big white palaces and banks of the International Settlement later towered skyhigh on the site he had chosen is not the only proof. The Captain was one of those empire builders who have the rare gift of visualizing the world of tomorrow. To him, Britain's manifest destiny, for a century at least, was on the bank of China's mighty river. "There our navy can float," he said, "and by our ships, our power can be seen and, if necessary, promptly felt. Our policy is the thorough command of this great river. There we can enforce on the Chinese Government those fair and moderate conditions which we may only make to quiet in our commercial relations."

Now, Shanghai was not exactly situated on the Yangtze. But the fact that the walled city was twelve miles away from the Great River, on the left bank of its lowest tributary, the

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Whangpoo, did not interfere with its commercial importance but rather enhanced it. For, through a chain of waterways and lakes, Shanghai was connected with the city of Soochow, the rosy metropolis of the silk country. And, beyond Soochow, the heavy freight junks could float along the Grand Canal, right up to Imperial Peking. Not far away to the south was the shimmering city of Hangchow, rich and lovely; and to the west, where the Yangtze forced its way through three thousand miles of Asiatic earth, a continent was bound to pay its tribute to Shanghai.

And Captain Balfour looked at the admiralty map and said, "All barbaric power must succumb to our higher civilization."

Shanghai was the one place for the distribution of British manufactures, the one place for the conquest of a market which was untapped. It was the one place within easy reach of the tea gardens and in easy reach of the silk districts and in easy reach of the cotton lands. It was, moreover, right in the midst of a flat, extremely fertile country, crowded with people, full of life and activity. It was the China Western people had heard of: the rich cities, the canals and paths, dark with people and freight, the villages with their bamboo forests and fruit orchards, the carefully irrigated fields, the willows by the river, the silent cemeteries with their cypresses. A country terribly alive. And in the hub of it: Shanghai.

The British settlement was Chinese territory—as Chinese as the Forbidden City in Peking with its golden roofs. British subjects had the right to "reside" and to rent land. This was an awkward arrangement, and the obliging *taotai* told the British consul that rent would be given in perpetuity. That the land remained Chinese soil has never been questioned, though, in the century that was the life of Shanghai.

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The handful of white men who came to Shanghai during the first year of its existence as an open port—a couple of missionaries, a few merchants from Canton—lived in shabby Chinese huts just outside the city walls. The rain poured in through the torn paper windows or through holes in the roof. Mr. Fortune, a famous Scottish botanist who traveled through China in search of rare plants and precious tea seeds, complained about the “wreaths” of snow on the floor of his bedroom. Nor was transit about early Shanghai any more appealing. The mud was so deep and so tenacious that some of the newcomers left their boots in it. Hordes of curious Chinese followed the white men wherever they went. They gazed out of the doors and windows, and some of the children cried at the white men’s approach; for they had been told that these were devils, malicious and powerful. Immense stores of fish, pork, vegetables and fruits, piled up in front of the provision shops, made it difficult to pass through the crowded, narrow streets of the native city. There was always the danger of bumping into someone who carried bales of silk or other merchandise, running under his burden.

It was a number of years before the more conservative British houses in Canton or London sent their representatives up to the City of the Muddy Flat, and until independent British firms set themselves up in the rough Settlement there. At the end of its first year, it could boast but twenty-three foreign residents, and eleven houses had been built in the mud. Over forty foreign ships had cleared the harbor, though.

Captain Balfour soon began looking for a decent site for his consulate, as it was not quite fitting that Her Majesty’s Consul should be staying in the Chinese town—even in a fifty-two-room mansion. He finally purchased (or: rented in perpetuity) the wide-open grounds near the confluence

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of Soochow Creek and Whangpoo. It was the place of an antiquated Chinese battery, and there were some sheds for the repair of war junks. The Captain bought the place for \$17,000 and, as he was not authorized to do so by his government, he paid \$4,000 out of his own pocket.

Through one of the quirks of history, not the British but the American flag was the first ever to be raised over the Shanghai Settlement. Henry G. Wolcott, the first acting American consul, had moved in two years after the opening of Shanghai, and when the Stars and Stripes made their first appearance, the British protested—in vain. Otherwise, they welcomed the Americans, and the first dispute remained the last.

The United States had, in the wake of Britain's more spectacular action, negotiated a treaty with the Celestial Empire, peacefully. This treaty was much better than the British one. It stipulated the privilege of extraterritoriality, the legal basis for the Settlement's commercial well-being, more clearly. "Citizens of the United States," it said, "who may commit any crime in China shall be subject to be tried and punished only by the consul or other public functionary of the United States thereto authorized according to the laws of the United States." Thanks to the Most-Favored-Nation clause, which was worked into every treaty between China and the Western nations, this formula applied to the position of other nationals, too. It sanctioned "extrality," as the Shanghai jargon expressed it, and it made foreigners sovereign by exempting them from Chinese justice.

When the British opened up Shanghai, they had a premonition that America would soon follow suit. In fact, there are some indications that the British knew they were fighting the battle of other nations as well, and that the other nations, including the United States, were waiting to see the out-

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come of that battle. When everything went well, America made her treaty with Peking, as second nation after the British. The French were next. American, especially New England, trade with China was substantial at the time, and the newly opened ports, particularly Shanghai, were a boon to that trade. "The Americans look forward to getting a large supply of green tea at Shanghai in exchange for their cotton, green tea being in extensive use among them"—thus the British, with a slight tinge of disapproval, because they considered green tea uncivilized.

Despite these commercial prospects, the first American community in Shanghai was a group of missionaries rather than of merchants. The missionaries established themselves, as well as they could, inside the walled city, and reported back to headquarters in the United States about the strange things they saw. "The Chinese are a hopeful race," they said, "and need only the transforming influence of Christianity to rise almost immeasurably above the rest of Asiatic nations. They are a quiet, kind, and inquiring race, wedded by custom to foolish idolatry but never willing seriously to defend its practice."

The reverends, no doubt, were shocked by some of the uncanny sights they had to behold. They witnessed the Dragon festival, and the Sun's Birthday festival, the worship of the God of Fire, and the burning of the Kitchen Gods. The most extraordinary of all ceremonies, however, took place in one of the temples at the Kay-Kwong festival, when people uncovered the idol's face and touched the pupils of its eyes with red ink or chicken blood. There was a horde of Chinese indulging in these rites; children cried and scrambled about, an orchestra played unharmonious tunes, and noisy groups feasted in the side chambers on viands and hot wine. The only light came from the tall candles burning in

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front of dozens of big, stiff, ugly, wood-carved idols which lined the walls. There was a thick smell of incense, mixed with the flavors of food and wine. But right into the midst of this Asiatic orgy stepped the Reverends Syle and Spalding of the Protestant Episcopal Church, intrepidity in their faces, religious pamphlets in their hands. And so eager were the Chinese worshipers to get their pamphlets, that the two missionaries had to go home for more. Even the musicians and priests got some, and the two were so highly pleased that they ventured to start a little discussion in front of the temple gate. Hemmed in by a curious and amused crowd, they asked one of the loafers, Did he really believe all these heathen things? Oh, no, the Chinaman said, all *he* believed in was eating rice. When others repeated his words "with obscene additions," the missionaries went home, doubts in their hearts.

Those who had come over from Canton, however, were highly pleased with the change. They found the Shanghai Chinese friendlier and more civil than the natives of Canton (who knew what to think of white people), and they appreciated the joy of passing through the streets without being constantly insulted. Especially those who had known the foreign settlement at Canton before the war, five years ago, could hardly believe that they were free to go anywhere within the city limits, that they could use sedan chairs, which the hated barbarians could not use in Canton, and that their womenfolk had the right to accompany them on Chinese soil. Now the American Reverend Lowrie and the British Dr. Lockhart could walk quietly to the British Consulate, on the sunny morning of a Sabbath, to attend the divine service, while Dr. Lockhart's wife and daughter were carried in sedan chairs ahead of them. "Except a few dogs which had not yet become reconciled to the presence of for-

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eigners, none moved his tongue against us. And we felt as secure as though we had been in the cities of our native lands."

Alongside the Chinese city, where the filth and the chastity of Asiatic centuries remained unspoiled, where the gates were closed after sunset, where watchmen walked through the hot night beating their bamboo, and where excited farmers from the country bought their supplies in stores whose signboards shouted "No Discount"—alongside the crowded, gay, and smelly Chinese city grew the foreign Settlement.

The white men built their hongks along the muddy river bank, not too close to the elevated path which had been constructed for the flocks of coolies who used to pull the heavy grain junks upriver here—and which was to become the Bund. The hongks were square buildings, erected without imagination and without architects, but comfortable and cool. Like true colonial gentlemen, the merchants did not build too close to each other. They believed in elbow room, and they took much pride in the spacious compound around the hongks. There were roses, and tulip trees, and magnolias, for the marshland was good soil, after all, and the Shanghai sky was blue and bright most of the year.

There were four big rooms on the ground floor of the hong, where the Shanghai gentlemen had their offices, save their compradores, attended to their mail. And there were four big rooms upstairs, where the Shanghai gentlemen went to bed. Open verandas with lofty columns were built around both floors, and the Shanghai gentlemen could sit on those verandas after sunset, enjoy the breeze and the whisky. They were impressive, these buildings in the "compradore style, and even the Chinese were impressed, although they still

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thought it utterly silly to have windows in the outside of a house.

Behind that front, stretching along the waterfront and giving Shanghai an early reputation as a City of Palaces, behind that front were installed the white taipans and their young griffins, busily adding figures and sending messages home—busily, that is, between ten in the morning and three in the afternoon. Office hours were elastic, colonial.

The early Shanghai taipan was a gentleman, and he was rarely over thirty. The word means "Great Manager," "Big Boss," and it was readily adopted for the partners of local firms and for the representatives of foreign houses. They were few, the Shanghai gentlemen, and anything that would enlarge their importance was welcome. They had come out to this uncanny, very foreign country as princely merchants, to do business on a large scale. Business had to be done on a large scale—or not at all. There were no local banking facilities, financial operations took a year or two, and credit arrangements took up much of the money and much of the time. Besides, these gentleman taipans represented an investment. They had come out, in the majority of cases, as trusted, confidential representatives of well-established firms back home. Their trip—by ship to Egypt, overland to the Red Sea, and by ship around India—had been slow and expensive. When they arrived at Shanghai, some five hundred pounds had been spent.

They were young because they were expected to go at their business out there with the spirit of a man who wants to build up a career. Besides, there were diseases to fight, there might have been another war, and much genuine pioneering was required. The taipans had to be young, enterprising, fit, and independent. Few of them, in those early days, were married. Shanghai, at that time, was no place for ladies. It never was.

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Younger still than the taipans were the griffins. They were the assistants, who had been carefully chosen by their London firms to go out to assist the taipans and to step, if need be, into their shoes. There was no point in being stingy with these youngsters. They had to be just as fit, just as well versed and educated, as their superiors. For they might have to represent the house in case of emergency, and they might not be as valuable if they were less lavishly taken care of from the very start. They were warmly welcomed by their taipans when they arrived out there, and they were christened "griffins" which was really the name for those half-wild and unkempt Mongol ponies which were sent down to Shanghai to be sold at auctions. They got one of the large bedrooms in the hong, and they got their place at the junior mess—if there was not just one table for the firm's entire staff.

Pomp and circumstance and colonial comfort embellished the Shanghai gentleman's daily routine. Luxurious eating was one of the outstanding blessings of the life out there, just as in other ports and cities along the fringes of the British Empire. Constant warnings by medical men that the Shanghai summer did not require so much heavy food, and that Chinese vegetables were unhealthy, were disregarded until it was too late. . . . There is the angry outcry of an early resident doctor, who is not surprised to find so much diarrhea, dysentery, liver trouble in Shanghai; for, listen to this, "they begin dinner with rich soup and a glass of sherry; *then* they partake of one or two side dishes, with champagne; then some beef, mutton, or fowls and bacon, with *more* champagne, or beer; *then* rice and curry and ham; *afterwards* game; *then* pudding, pastry, jelly, custard, or blanc-mange, and *more* champagne; *then* cheese and salad, and bread and butter, and a glass of port wine; *then* in many cases oranges, figs, raisins, and walnuts are eaten *with* two

or three glasses of claret or some other wine; and this *awful* repast is finished at last with a cup of strong coffee and cigars!"

The crescent of the first hong that followed the graceful curve of the Whangpoo River contained some of the names destined to become an integral part of the Shanghai story. Most of these houses were not new firms; they looked back upon a more or less glorious history under the old East India Company whose monopoly rights they had shared under licenses in Canton.

Jardine, Matheson & Co. was one of the very first houses to send representatives up to Shanghai. Its history and its fate were already interwoven with the history and the fate of British commerce in the East. Dr. William Jardine, the founder, had gone out to the Orient as a surgeon on one of the East India Company's sailing ships. As all the Company's servants, he had the privilege to engage in trade on his own risk and account, and he was so successful that he let his medical tools rust. He became one of the great British merchants of the East, always lucky and always busy. So busy, in fact, that he persistently refused to have an extra chair put in his office: visitors would leave sooner, he figured, if they had no chance to sit down and rest.

Dr. Jardine had met the suave and amiable James Matheson in Canton. Young Matheson had been employed in his uncle's business in Calcutta until one fateful day when he had forgotten to mail an important letter. The enraged uncle had sent him home to England, but the enterprising and curious nephew had boarded the Canton clipper instead of the London clipper. In 1827, he joined Dr. Jardine's firm which was then established in Canton and Macao and whose business connections reached from the far corners of India to the China coast.

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The firm had survived the parent East India Company. After the expiration of the monopoly, the Jardine ship *Sarah* had been the first vessel to bring "free trade" tea from China to England. The house had become very respectable, Dr Jardine's fame had spread all over the Orient, and quite a number of young Jardines and young Mathesons had come out from England to work in the firm's Canton office. However, the first representative of the house to be sent to Shanghai was a gentleman by the name of A. G. Dallas. He established his hong at the northern extremity of the crescent next to the new site of the British consulate. The firm was soon famous for its lavish hospitality. It had engaged a French cook at a monthly salary of one hundred pounds sterling, and its mess was an open house throughout the year. In those early days, the firm spent forty thousand pounds a year on entertaining—which was a staggering sum, even for Shanghai taipans.

Dent & Co. was another house whose descent could be traced to the East India Company. Lancelot Dent was the first merchant to register his property with the British Consulate in Shanghai. His house was to remain the principal rival of Jardine's for many years to come. One of the taipan partners of the house was T. C. Beale, whose beautiful garden by the river bank was the pride of the Settlement. There were many strange plants, carefully transplanted from the interior, and cautious visitors could see one or two ring-necked pheasants making themselves at home among the shrubs. Mr. Beale was swamped with requests from well-to-do and respectable Chinese citizens who wanted to inspect his house and garden, and most of those requests were granted.

Jardine's and Dent's were Shanghai's leading houses. The fact that they outdistanced their competitors for a long time had something to do with the mails. Shanghai, in those early

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days, got its mails by couriers who raced in on Mongol ponies all the way from Woosung—there was a premium on the earliest arrival. Every mail day, the couriers came galloping down the Bund, on their fast and husky ponies, proclaiming themselves at the top of their lungs, flinging the mail bags to the doorsteps of the hong, without as much as reducing their speed. Servants picked the bags up (if they did not catch them in mid-air) and brought them to the taipans who relied on those vital bits of news for their business transactions. Only the taipans of Dent's and Jardine's spent the mail day in their offices without excitement. They might have smiled smugly when they heard the shouting of the couriers outside: for they had received their letters one or two days in advance.

How did they do it? The procedure was as simple as it was ingenious. Dent's had their own fast ships whose captains were authorized to receive the firm's mail directly from the British mail ship in Hong Kong. Once they had taken on their mail, these ships left immediately for Shanghai, arriving there one or two days ahead of the slow-moving official mail boat. Important news concerning the market situation in India and in the British Isles put the Dent taipan in a position to close his deals before his competitors knew the high rates currently offered for tea or silk in London, or the low rates at which opium could be obtained in Bombay.

Jardine's operated their own ships between Calcutta and Hong Kong. The schedules were timed so that these ships could intercept the British mail boat at Singapore and sneak out of that port while the mail boat was still coaling. They arrived at Hong Kong two days ahead of the official mails and immediately transferred their letters to another Jardine boat that left for Shanghai. Thus the Jardine taipan might have received his mail the same evening the Dent taipan

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did—with neither one knowing about the other. For these privately owned ships often put in at some sheltered place along the banks of the Yangtze and sent their valuable bundles overland by messengers long before they entered the port of Shanghai.

One of those early Jardine taipans seems to have been a rugged individualist. He sneered at all authority, ignored the British consul whenever he could, beat his mafoos (the horse grooms) until it became an open scandal, and exercised his horses on the very Bund, much to the dismay of boatmen and traders. His case was an exception, however. As a rule, the discipline of this early trading community was excellent. The consul's orders and advices were taken in good graces. The records show only one case where a British merchant challenged Captain Balfour, Her Majesty's Consul, to a duel.

While the Settlement was still the "British" Settlement, and while Her Majesty's Consul was still the highest executive, American merchants had begun to filter in, and they met with the British taipans on a curious level, which was neither British nor, indeed, American. They were Yankees, from Boston and New York, and they had come out there to do business on a large scale, just as their British colleagues. But they brought American ideas which, somehow, seemed to suit the place better than British traditions. Shanghai was young, the taipans were young, the foretaste of rapid developments was in the air, and the English taipans found out that they would be lost if they had to stick to old-fashioned stodgy, conservative conceptions. The Yankees had more of a flair for the speculative element of the China trade, they were better schemers, they were realistic and republican. Shanghai, the most realistic republic ever to have existed in this world, very soon appeared "American" to young British

griffins who had come out here to become men of the world. They liked that, liked it very much.

American interests, however, were not substantial enough to induce the State Department in Washington to send a career diplomat as consul to Shanghai. Merchant consuls were appointed from among the members of the American community; the first American to have set foot in Shanghai, Henry G. Wolcott, of Wolcott, Bates & Co., had obtained the right to call himself "consul." But most of the early holders of the office were the taipan-partners of Russell & Co., a Boston firm, and the foremost American hong in Shanghai. The firm had started operations in Canton, in 1824, and under its orders, the first American opium clipper, the *Anglona*, had been built. John A. Griswold, Wolcott's successor in the consulate, was one of the partners, as was Edward Cunningham, who was to be one of the three sponsors of the Shanghai constitution. The position of American consul, which did not involve much work in those early days, certainly required a good measure of tact. For all dealings with Chinese authorities were conducted through the British Consulate, and the prestige of the United States did not permit the American consul to acknowledge the superiority of his British colleague. His dealings with American citizens, on the other hand, were often delicate: he was their competitor in the Shanghai trade, after all, and he could hardly demand to see the records of their business transactions unless he could give a very good reason for his request.

Consul Griswold had picked a site in Hongkew for the American Settlement. The ground was never officially allotted to United States residents by the Chinese authorities, and contemporary reports, with an undertone of embarrassment, explain that it "just grewed." American taipans, however, remained in the British Settlement and only reluctantly came over into the unimproved district on the other side of

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Soochow Creek. Besides Russell & Co., there were a few large American firms in Shanghai at that time; Heard & Co., Wetmore's, and Olyphant's did a thriving business in tea and silk. It is curious to note that the builder of the new British Consulate, Hethrington, was also an American. He died in 1848—the first white man to die in Shanghai.

There was no hard-and-fast line of demarcation between the British and American communities. Englishmen and Yankees visited one another in their messes, laughed at one another's accent, introduced the national dishes of their home countries, and became friends for a century.

They were a picked, well-mannered, well-bred little group, those few hundred foreign devils who were assembled in Shanghai around the middle of the Nineteenth Century. They did what they could to have a good time, they built a road which was called Park Lane and which was to become Nanking Road, they went up to the "Bubbling Well" for a walk before dinner, they built a church, and they improved that filthy towing path—the Bund.

They rammed their logs into the mud and laid the foundations for future profits and future booms, the foundations for success and catastrophe. They had embarked on a great and dangerous venture. Their treaties did not allow them to travel inland, except for a day's excursion. And that was just as well. For the distant rumbling that came from the crowded towns and villages in China's unexplored intestines, the Shanghai gentlemen were unable to hear.

CHAPTER II

Englishman Without Orders

“OUR Celestial Empire possesses all things in prolific abundance and lacks no products within its own borders. There is, therefore, no need to import the manufactures of foreign barbarians in exchange for our produce”—thus the Chinese Emperor’s message to King George III of England.

Why the Manchu Dynasty which then ruled the Celestial Empire was so uncompromisingly strict in its refusal to allow the British to trade freely, it is hard to say. They had done business with the Portuguese, and with the Dutch, and there was a Russian establishment in the very heart of Peking. It might well be that the British would have achieved what they wanted without bloodshed—if they had kowtowed. But the pride of the Chinese Empire, which considered all foreign nations as inferior and barbarian, and the pride of the British Empire, which had set out to conquer the world, were incompatible. And the ruthlessness with which British traders attempted to impose the opium-smoking habit on the Chinese people barred a compromise. Britain thus chose a “show of force”—and many more to come—to trade with China on a level of equality. The territorial conquest of China, at that time, was not contemplated. China was too far away, and too awful.

The Celestial Empire was a perfectly organized, though highly decentralized, nation. It boasted the oldest living civi-

lization on the face of the globe, and its upper crust enjoyed all the decadent luxuries of a mature race. The upper crust were the officials—not the merchants; officialdom, a thousand years ago, as today, was the only recognized way of accumulating private wealth. The “squeeze” was legal, or at least tolerated—a far cry from British conceptions.

The merchant class, highly developed, also followed a code which was the opposite of Western business methods. The system was elaborate and built up primarily on credit. Credit alone overcame the immense distances between the various centers of trade and commerce. Co-operation and confidence took the place of cash, and it worked. People who did business with one another knew their partners and trusted them, and they cashed their checks in the most remote trading posts in the interior.

Into this highly civilized system stepped the British with postulates and requests which appeared either childish or crooked. They did not recognize anything that wasn't written out, black on white. They wanted everything to be agreed upon beforehand, down to the most trifling detail. They believed in sharp definitions and legal trickery where the Chinese believed in human decency. They worked out contracts and treaties and asked the Chinese to sign on the dotted line, and when the Chinese said they would think it over, the British moved their battleships upriver. China danced to the music of Britain's thirty-two pounders. But the Chinese were not convinced.

Western ideas clashed with the mellowed ideas of the East, head on. The simple human axiom that guests have to comply with the manners practiced at the home of their host was set aside, consciously, because the Chinese were “not civilized.” The West insisted that Western ideas were right and that Eastern ideas were wrong. As long as it was merely funny, the Chinese laughed. Then, they hated the foreign

devils. They signed on the dotted line, signed treaties which they did not understand, with Britain first and with a score of other foreign governments next. They granted them "extrality" and the Most-Favored-Nation privilege, and concessions and rights—because they had to. But they hated, hated, hated them.

What were the White Man's feelings about his host? "Some of them undertake to be prophets of nations," writes an American missionary five years after the opening of the Settlement, "and talk of the destinies of the Anglo-Saxon race, regarding the Chinese people as doomed to be subjugated, if not exterminated. Indeed, not a few of this class will even express a civilized horror at the idea of military operations against the Chinese, putting them down as hardly to be reckoned with as fellow-men, and having therefore no taste for shooting them off by hundreds."

Certainly, this feeling was not universal. But very few foreigners had a chance to meet Chinese—none met them socially. They saw them from afar, airing their birds, flying their kites, playing around, or riding in sedan chairs with closed windows. They did not speak their language and never bothered to learn it. Their religion was "mongrel revelries" to them, their habits were childish, exotic, or just silly. For business transactions they used a compradore, the only Chinaman they knew and trusted and who, for all practical purposes, was a foreigner himself, isolated from his own group. They never saw the man on the other end of a big deal. And to their house boys and coolies, they spoke pidgin English—which was as far as they would go.

Really, the history of Shanghai should be written in pidgin English. There is no other medium so perfectly fit to circumscribe the relationships between the white man and the yellow. Its silly vocabulary could never serve as a bridge between the two groups; it rather emphasized the

leavage between them. Pidgin English originated around Canton, long before Shanghai was opened, and represented the "basic English" which the Chinese would learn and which the English could use without going to too much trouble. Portuguese and Indian words were thrown in, all grammar was thrown out, a Chinese accent and the intonation of their monosyllabic language were added, and the result was the surprisingly expressive and rich *lingua franca* of the East. The word pidgin, in fact, is pidgin English itself. It means: business.

Thus, there was a vacuum between the two communities from the very start. With the naive approach of white supermen, the foreign settlers took this complete lack of intercourse for granted. It had worked in Africa and it had worked in India—why shouldn't it work in the Celestial Empire? They spread the thin layer of their rights and privileges over the Chinese mud, and built their houses upon it. That their coming had deeply upset the inner balance of China, that it had unloosened forces which were bound to shake the solid structure of the oldest empire in the world, did not occur to them.

Rutherford Alcock was thirty-seven years of age when he succeeded George Balfour as British consul in Shanghai. He was the son of a British doctor, and had studied medicine himself. The able young marine surgeon had worked his way up to the position of Deputy Inspector of Hospitals. Then he had quit the service. When the five China ports were opened to British trade in accordance with the Treaty of Nanking, Alcock had gone to Foochow as first British consul there. His shrewdness and success in dealing with the Chinese authorities attracted the attention of the British Foreign Office, and when Balfour retired from Shanghai, Alcock got the job.

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The man who was to become the father of the International Settlement looked more like a poet than a diplomat. His long dark hair all but covered his ears; the dreamy expression of his unusually large eyes was betrayed by a keen, slightly aquiline nose which, in turn, was balanced by a soft and well-rounded chin. There was something in his face that reminded people of Lord Byron. But the poet had hands which meant business.

Although Alcock spoke Chinese, he brought his faithful interpreter, Harry Parkes, up to Shanghai. Harry was only eighteen, but he had seen several years of service and had done hard work as Alcock's assistant at the Foochow consulate. The man and the boy had taken a strong liking to one another in that hot little town where life was dull and where the job of opening the port entailed more work than two people could handle.

Harry Parkes had had a hectic youth. He had been an orphan when he was only five, and had spent his early childhood at the house of an uncle, a retired naval officer, in Birmingham. When the uncle died, the family had put him on a ship bound for Macao, where he had a cousin. He had arrived there just in time to see the Opium War and, as he was too young for military service, had started to study Chinese for some future use. His linguistic abilities had brought him an appointment in the consular service; he had accompanied the British expedition along the Yangtze, had witnessed the signing of the Treaty of Nanking, and had done interpreter's work in various Chinese ports. When Alcock left Foochow for Shanghai, the youngster had told him that he would like to come along because he could find a home up there, at last: his sister was married to Dr. Lockhart, the missionary, and the couple had lived there since the opening of the port. Thus the fates of three British empire builders

—Sir George Balfour, Sir Rutherford Alcock, Sir Harry Parkes—met in Shanghai, in 1846.

Alcock had not been in Shanghai very long when an event took place which jeopardized his career, his life, and, in fact, the very existence of the young Settlement. That he handled the affair as an Englishman rather than as a diplomat had two results: the peaceful and undisturbed development of Shanghai; and a sharp rebuke from his superior.

Three missionaries, Dr. Medhurst (whose son was employed at the British consulate), Dr. Lockhart, and Mr. Muirhead, had taken a trip to the little town of Tsingpu, thirty miles from Shanghai. They had distributed religious tracts in the streets until they saw themselves confronted by a hostile crowd of several thousand people. The missionaries were attacked, knocked down by a group of roughs who beat them with bamboo rods, dull swords, and an iron chain. Their spectacles, watches, and other belongings were taken away, and the mob might have killed them if they had not been saved, in the last minute, by a patrol from the *taotai's* office who brought them back to Shanghai.

It was the time of the annual meeting of the grain junks. Fleets of junks, laden with tribute rice from the provinces, had come to Shanghai for their rendezvous, as they did every year, before proceeding to Peking. In former years, the junks had moved up along the Grand Canal, the inland waterway leading up north. This time, however, the government had decided to send the rice by sea as far north as Tientsin. Some twelve thousand junkmen who had protested against this order because it made the trip less profitable, had been dismissed. They were loitering in the neighborhood of Shanghai, robbing and stealing. It was part of this horde that had attacked the missionaries.

Consul Alcock recognized the fundamental significance of the case. The missionaries were respected citizens; one of

them, Dr. Medhurst, was an elderly man, with gray hair. If outrages like this were allowed to pass, Shanghai's white community had lost its face—and its security. Consul Alcock demanded redress. He demanded quick and severe punishment for the culprits. But the suave *taotai* who had done so much to comply with the demands of the foreigners did not feel equal to the fulfillment of this request. He was more afraid of those twelve thousand junkmen than of Consul Alcock and his British friends. All the Consul obtained was a courteous promise to bring the ringleaders to justice.

It so happened that the British sloop *Childers*, mounting ten guns, came into port just then. Alcock decided to make this an exemplary case, and to use, if necessary, the *Childers'* guns to see it through. His superior, the British plenipotentiary, was in far-away Hong Kong. To ask him for orders would have taken weeks. Besides, these orders might have demanded a diplomatic compromise.

Alcock dispatched an ultimatum to the *taotai*. If the ringleaders were not arrested within forty-eight hours, fourteen hundred precious grain junks would not be allowed to leave the Whangpoo for Peking. The port would be blockaded and no British ship would pay the customs duties.

When the ultimatum had expired, the *Childers* moved up in front of the fourteen hundred junks.

Now Alcock was still living in the old British consulate, within the walls of the Chinese city, and his young wife was living with him. There were several thousand Chinese soldiers in town, apart from the roving junkmen: Alcock knew well the risk he was taking. But nothing happened. When some of the junks attempted to run the blockade, the *Childers* fired a shot across their prows, and the junks did not move further. One small British boat kept this immense fleet at bay. Shanghai was paralyzed.

To force a decision, Alcock dispatched his vice-consul, to-

gether with young Harry Parkes, to Nanking. The two saw the Viceroy. And it was young Harry who used all his eloquence to convince the official that a further delay of the rice fleet would bring forth the ire of the Forbidden City—resulting, most likely, in both the Viceroy's and the *taotai's* disgraceful deposal.

This argument, if nothing else, convinced the mandarin. He hastened to send the Provincial Judge down to Shanghai, and the incident was settled without any further arguments. Ten "ringleaders" were arrested and produced at the British Consulate; and, although the missionaries identified only two of the men, the entire group was pilloried in "cangues" on the Bund. Two hundred dollars were paid to the missionaries for their bruises, their spectacles, and their watches. The stubborn *taotai* was severely censured and dismissed.

Justice had come to Shanghai. The *Childers* raised the blockade, and the fourteen hundred rice junks sailed down the river, carrying their precious cargoes out toward the open ocean and Peking.

Alcock had played a risky game. He had used his life and the life of his community as pawns in a gamble for "face." He had pitched one of Her Majesty's ships against overwhelming odds. But far more than the bruises of three missionaries had been at stake, and fortune had favored the young diplomat with the eyes of a poet: no one had called his bluff. He had established the "face" of the small white community for decades to come.

But Alcock had acted without orders, and Sir George Bonham, his superior, did not hesitate to rebuke him for his daring gamble. "Considering the instructions with which you have been furnished by the Foreign Office," wrote the British plenipotentiary, "and the limited power and duties of a consul, I cannot but express my regret that you should

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have taken the steps you have seen fit to do without previous reference to Her Majesty's plenipotentiary." But at the same time, Bonham forwarded the correspondence concerning the affair to the Foreign Office, praising young Alcock for the able manner in which he had established British prestige in Shanghai, and recommending him for promotion. Alcock, when the taipans congratulated him on his success, modestly pointed to the boy interpreter, Harry, giving him all the credit for the bloodless victory.

The first of three generations of Englishmen thus began building an empire in the mud. And the Foreign Office, fifteen thousand miles away, began filing their reports and making notes for promotions.

Although the Opium War had been fought, ostensibly, for the purpose of legalizing the British opium trade, the peace treaty which ended it did not mention opium at all. But British traders took advantage of their brand-new privileges to flood the Chinese market with the deadly drug. Most of those well-mannered, well-bred gentlemen at Shanghai were in on it, with much cynicism. The opium trade, however, was more than the unscrupulous exploitation of a vice; it was an effort to put Britain's vast Oriental trade on a sound commercial basis. This is how it was done:

The famous silk districts of central China had been brought in direct contact with the outside world. It was one of the major functions of the Shanghai Settlement to supply the world with all the silk it wanted. The other, almost equally important, staple handled by Shanghai's merchants was tea. Most of the export business was done with British ports, and Britain, in those early days, absorbed five million pounds' worth of Shanghai tea and Shanghai silk every year.

This trade was "balanced" by something like one and a half million pounds' worth of British goods, chiefly woolens,

ported into China. There was a balance of three and a half million in China's favor, and this balance irked British economists. Originally, hard cash had to be imported into China to pay for the silks and for the tea. Then, a better device was found to straighten out the growing discrepancy. This device was opium.

Opium was grown in British India, gathered and packed by British firms, shipped to China in British bottoms. The value of this trade amounted to, roughly, nine million pounds a year. This item was used to counteract the adverse balance of the China trade. But it was also used to supply the Indian exchequer with badly needed cash. For India, which had been educated to the use of British articles before the Chinese market had been opened, absorbed eight million pounds' worth of British commodities. For these goods, it paid with its opium revenue.

Britain, in other words, profited from a triangular trade carried on between British, Indian, and Chinese ports. British merchants exported nearly ten million pounds' worth of manufactured goods to the two great Asiatic countries. And this amount was balanced by the sum of nine million realized every year in the opium trade. India paid British manufacturers with remittances via Shanghai, and Britain's East Asia trade was no longer lop-sided.

Thus, the British opium trade was highly significant, from an economic angle. British idealists, who went out to China and saw the opium vessels plying between Calcutta and Shanghai under the British flag, were revolted. Alcock was one of them. But soon those idealists saw that more than moral questions were involved. Alcock himself, in one of his confidential dispatches to the Foreign Office, conceded that opium "vitalized" the whole of Britain's commerce in the East.

Most prominent among Shanghai's opium merchants was

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Jardine's. The story went that Dr. Jardine, the founder of the firm, had cleared a million pounds from his opium deals during the twenty years that he carried on business in Canton. The lavish dinner parties given at the hong of Dent's were also paid for by the stimulating drug. Even the American firm of Russell & Co. handled its share of the opium business. Wetmore & Co., another American house, was said to be the only firm which consistently refrained from handling opium.

Opium was contraband. But the Manchu Dynasty, badly beaten in the last war, was hardly in a position to interfere with its importation. Some of the mandarins openly favored the trade because, if the drug were not brought to China by the British, they were afraid that Chinese peasants would plant their fields with poppy instead of rice—which might have resulted in famines. But since it was contraband, and since the Chinese Emperor refused to derive any profits from the "vice and misery" of his people, no customs duty was levied on opium imports in Shanghai.

Incoming opium ships, consequently, did not proceed to the customs house right away. They first stopped at Woosung and discharged their freight. There were always some eight or ten dismantled opium hulks anchored down there, which were no longer sea-going vessels, but simply floating store houses, with the keeper's family living aboard. Then, with empty holds, the opium clippers moved upstream and registered the handful of crates, that were the remainder of their cargoes, with the Shanghai customs house.

These opium clippers were heavily armed, for they had to wind their way through the pirate-infested waters along the China coast. They were fast sailers—speed was important, often because of the mails carried by the clipper. With the profits of the opium trade what they were, no expenses were shunned in fitting out these ships. Some of them were among

the fastest, best-equipped vessels afloat in any of the seven oceans at the time, and their masters took pride in "stunting" their ships—they would sail on the monsoon with full sails, which even warships did not dare for fear of capsizing. The clipper captains were expert navigators and gentlemen. Their responsibility, at times, covered a million dollars' worth of cargo on a single trip.

Somewhere far in the interior a simple man had an idea. He thought that he was the younger brother of Christ, and that he was to march on Peking and that he was to punish the dynasty in the Forbidden City. There were more simple people 'way in the interior whose spirits were shaken and whose mental balance had gone. They rallied around the younger brother of Christ, to march with him. In one of the greatest revolutions China had ever seen, an avalanche of sullen Chinese peasant boys rolled northward—hundreds, thousands, millions of them.

What the Taiping rebels wanted to do, what they wanted to undo, it is hard to say. When the faint echo of their march through China resounded in Shanghai, the Shanghai gentlemen did not know what to make of it. Were the rebels Christians? Should one support them in their cause against the uncompromising, loathsome dynasty? The question ceased to be academic when the rebels captured Nanking, advancing, in a surprise move, to within two hundred miles of Shanghai. Suddenly, the Shanghai gentlemen remembered those mysterious posters which had been seen in the city not so long ago—posters which promised instant death to all foreign devils. At the time, they had thought it was on account of the new race course which they were building then and which the Chinese, poor souls, mistook for fortifications. A few British men-o'-war, sailing quietly upriver, had straightened it out. But now?

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British and American consular officers took the trouble of traveling up to the rebel headquarters and talking with their leaders. They came back and still did not know what to make of it. Maybe it dawned on them, then and there, that Britain's Opium War and Britain's victory, and the British colony at Hong Kong and the foreign Settlement at Shanghai, had sent the prestige of the Manchu Emperor to the bottom. And maybe it dawned on them that this was not so good. There should be some authority, after all. This smoldering rebellion might sweep away the privileges and treaties one had wrung from the decaying dynasty.

Their questions were answered, at least partly, when the Short Swords, a secret society of the Taiping color, took the walled city of Shanghai in 1853. It happened one morning, very early, and without much ado. A rebel horde, consisting mostly of Canton and Fukien junkmen and some neighborhood riffraff, forced its way through one of the city gates, killed the guard, and swiftly occupied the most strategic places within the town. Some of the shops and stores were looted, and some of the Imperial officials committed suicide. The *taotai*, miraculously, escaped the rebels and went into hiding. (When two foreign devils, Mr. Caldecott Smith and Dr. Hall, who had ventured into the Chinese city to rescue the *taotai*, proposed to put him into a huge basket and to let him down over the city wall by a rope, he refused most indignantly. One of the two gentlemen had to demonstrate the practicability of this method by preceding the official in the basket.)

The Settlement itself was not affected by the change of authority in the walled city. The only incident that occurred was an attack on the customs house by a band of rebels who succeeded in demolishing it before it could be defended. The insurgents made themselves at home in the Chinese city and were courteous whenever they encountered foreign-

ers. Their leader, Lew, a former sugar broker, actually made his round of visits to the foreign consulates. Some of his men, apparently Chinese from Malacca, spoke English fluently. They were a heterogeneous crowd, united only by their hatred against the Manchus—they wore their hair in knots instead of the cues which were a Manchu invention. The former British Consulate, the old fifty-two-room mansion, now served as headquarters for the rebels.

But for all their courtesy, the rebels turned out to be a nuisance from the Settlement's point of view. Trade and navigation in the rich provinces around Shanghai were paralyzed, the forest of masts had disappeared from the Whangpoo, and lean times seemed to be ahead. Some of the losses could be recovered when foreign firms started selling supplies—to both factions, of course—but this was risky business.

Imperialist forces, who had come down to fight the battle of the Manchu Dynasty, tried several times to dislodge the rebels. They hurled stink-pots against the mud forts that the rebels had erected, they fired cannon, they beat their gongs and waved their banners. It was all in vain. Once in a while, the two armies met for a full-blown battle outside the walls, which greatly added to the face of both parties and which harmed neither one, as there was no shooting. Before the scheduled time, some of the rebels would come into the Settlement and tell the taipans whether the battle would be worth seeing.

Although it provided good entertainment, the vicinity of two Chinese armies did not contribute to the prosperity of the Settlement. Besides—foreign interests there amounted to nearly twenty-five million dollars by now, and if those picturesque soldiers should attempt to take the Settlement, this substantial stake would be lost. The taipans decided to arm themselves—the British taipans. A meeting of the American

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community, with the formation of a volunteer corps on its agenda, brought forth so little enthusiasm that the British asked whether their "American brethren had any lurking intention of running away if danger appeared. . . ."

A joint volunteer corps was finally formed, and the enrolling gentlemen were given the choice of enlisting with the Mounted Vidette (which meant night duty) or the Infantry. The little group was drilled by Captain Tronson, of the Second Bengal Fusiliers, who had been asked to take the command.

Strangely enough, the Imperialists were the first to get into trouble with the Shanghai volunteers. Their soldiers attempted to trespass on Settlement soil and to steal rifles from the hong of Messrs. Gibb, Livingston & Co. This sacrilege could not remain unavenged, and the Shanghai gentlemen had to make use, for the first time, of their right of self-defense, fighting the same Chinese Government which had granted them their rights. The volunteer corps attacked the Imperial troops and, while the rebels looked on from the turrets of the walled city, routed them in the battle of the Muddy Flat.

This famous engagement, which proved to the Chinese that the young community had grown its teeth, dramatized Anglo-American unity. Some three hundred white men took the field against overwhelming odds: the Shanghai volunteers, and marines from the British ships *Encounter* and *Grecian* and from the United States war sloop *Plymouth*. As the little army advanced toward the Chinese camp, the American seamen, forming the left wing, were fired at. These first shots were the signal for the men from the *Encounter* to bring their fieldpiece into action. Under constant shell fire from the Chinese, the main body pushed forward and managed to cross a ditch surrounding the Chinese camp. The Chinese, reputed to be ten thousand strong, fled in

utter confusion, and the camp was taken by the volunteers and sailors.

The battle had lasted two hours, and the Shanghai gentlemen had fought valiantly. Three volunteers had been wounded—two fatally, the third lost a leg. Ten of the British sailors were carried back to their ships with wounds. Five Americans had been seriously disabled and one of them, Captain R. H. Pearson of Newburyport, Massachusetts, died from his wounds. The volunteer corps was disbanded—for the time being.

The victory had driven away the Imperialists, but it had not restored peace and prosperity. The rebels were still in the native city, trade was still paralyzed, and things were not at all normal. The shadow of sorrow and doubt had fallen upon the young Settlement. The taipans were left without much hope, and some of them frankly advocated handing the Settlement over to the Imperialist forces so as to freeze out the rebels.

It remained for the French to end the period of uncertainty and gloom. When one of their catechists was put to death in the native city and when the rebels refused satisfaction to their consul, they finally lost their patience and advanced on the rebel stronghold with bombs and bayonets. The French community was closer to the walled city than the British and American, and it was only fair to let them fight the battle for the Settlement. When the rebels finally left, squeezed out by the French and by the Imperialists who had rallied, they had held the native city for two years.

Imperial troops now poured into the city and killed most of the men who had dared to remain within its walls. So great was their fury that they opened coffins and decapitated the corpses. Mounds of human heads and piles of headless bodies could be seen in streets and squares. Dozens were

executed because they happened to resemble the rebel leader Lew, who had made his escape in the nick of time.

But the great, decisive triumph of those turbulent years was not achieved with guns and mortars; it was achieved in the political realm. Under the impact of constant danger from without, keen Shanghai brains brought forth astounding ideas which blew new life into the Settlement.

The fire baptism of the "Muddy Flat," which gave the Shanghai gentlemen a foretaste of the things that were to happen a little later, had taught them two lessons: First, the best method of preserving the neutrality of the Settlement in times of trouble was to play two warring factions against each other. Second, the present legal structure of the Settlement left too many things to the impromptu initiative of its inhabitants. The Chinese customs service, for example, had been completely upset by the rebellion, and the foreigners did the Chinese a great favor when they appointed a foreign committee to take care of the maritime customs—establishing a precedent for the next three quarters of a century.

But, within the Settlement, there was the necessity of some sort of authoritative management. Naturally, no one wanted anything that would interfere with individual liberties; the Shanghai gentlemen were merchants, they had come to trade and they did not want their trade to be supervised too closely by anyone. The only improvement which this city could use was something in the line of security and comfort. There should be a moderate tax, levied from all foreigners, for the pavement of the streets, the construction of drains, and there should be certain authorities which were responsible for common funds and common property.

Thus, in 1854, when Chinese Shanghai was still in hostile hands, the Settlement gave itself its constitution. The British,

American, and French consuls drew up a joint code, laying down the elementary principles of local self-government, making the Settlement practically free from all official control and establishing the legal foundation for its singular prosperity. This constitution was promulgated in the form of a revision of the "Land Regulations" which Captain Gifford had worked out two years after the opening of the Settlement, with a view to regulating the acquisition of land from the Chinese.

The Land Regulations of 1854 contained, in more or less rudimentary forms, all the elements which made Shanghai the most unconventional municipality in the world. Local municipal control was to be exercised by the foreign community as a whole, which thus usurped the powers that, according to the treaties, were still vested in the Chinese authorities. The Settlement became a sovereign, self-ruling, international body politic. Its fate was in the hands of its people—making the Settlement a republic—and, as its people were admitted as "land renters," the right to vote depended on a certain minimum amount of land rent actually paid each year—making the Settlement a plutocracy. A committee of land renters was to be the municipal government, the Shanghai Municipal Council.

The three consuls notified the land renters who assembled on July 11, 1854, and solemnly approved the Land Regulations. This Constitutional Assembly was to usher in annual meetings. They have convened, every spring, for more than eighty years thereafter, making the laws and electing the Municipal Council. British legal advisers, working with the colonial government in Hong Kong, questioned the legal status of this governing body for a long time, but these doubts never interfered with its authority.

The immense importance and the exceptional cleverness of the Land Regulations (which were probably never ap-

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proved by the Chinese authorities) is evident from one fact: the original understanding was that all authority over foreign residents should be vested in their consulates. The consuls, of course, were responsible to the Foreign Offices back home and, when a diplomatic body was finally established at Peking, to their Ministers. The new local self-government took things out of the hands of conservative, duty-conscious diplomats and placed them in the hands of those who made Shanghai—the taipans. Theoretically speaking, the consuls remained the highest authority throughout the duration of the Settlement: the Municipal Council could be sued before the consular body. But, for all practical purposes, the Shanghai Municipal Council throned on top of the Settlement as its sovereign, plutocratic, republican government.

It was a most cynical, most foreboding, most realistic document, this Shanghai constitution. Taking advantage of the weakness of China's bedeviled authorities, the far-seeing Shanghai gentlemen laid the legal foundation for the activities of generations of Shanghai gentlemen to come. They created the proper atmosphere for the exuberant growth of a money-making, unsentimental, optimistic, wide-open city—the city of the Muddy Flat.

The Shanghai constitution was the brain child of Rutherford Alcock. The man who six years ago had bluffed the crews of fourteen hundred junks, a Viceroy, and a *taotai* into submission saw that the time had come to make Shanghai free—free of drifting fortunes, free of whimsical mandarins, free of timid diplomats. He had acted at the right moment, and his work—was it much more than a bluff this time?—was crowned with success.

The taipans accepted the authority of the new Municipal Council without demur. Some time later, after a British firm challenged its right to levy land taxes, Sir Edmund Hornby,

first judge of the British Supreme Court at Shanghai, decided that the Council had the "chief and material" requirements of self-government. Several Prussian taipans who refused to pay their municipal taxes were backed up by the Prussian consul (a British taipan), who had to pass judgment in the case. The Council barred those unruly elements from the privilege of police protection and the use of the fire brigade. That was all.

Soon after the promulgation of the Shanghai constitution, Rutherford Alcock got the promotion he deserved. He became Britain's first Consul General in newly opened Japan and advanced to the position of Minister Plenipotentiary. After nearly ten years' service in Tokyo, he returned to China—this time as British Minister. He had been knighted. When he died, in 1897, his name was a synonym for British power and British prestige in Eastern Asia.

His young interpreter, Harry Parkes, had been called to London a year after his eloquence had induced the Viceroy to take action. He was kept in the Foreign Office for a while and given desk work, which he dreaded. He felt much relieved when he was dispatched to China again—as Her Majesty's Consul at Amoy. In the second Opium War, Parkes was the first Briton to enter hostile Canton, and it is said that he personally tracked down Commissioner Yeh, whose obstinacy had caused the British to start the war. Canton, a city of a million inhabitants, was handed over to a committee of three foreigners, and Parkes, as the committee's most prominent member, ruled that southern capital almost single-handed for a period of three years. Later on, his career was strikingly similar to that of his political foster-father. He became consul at Shanghai, then Minister to Japan, and finally Minister to China. He was Sir Harry Parkes, by then, and one of the best men in the service.

The two men who were to represent the British crown in

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the capital cities of the East had gone through their first trying years, their first disappointments and their first successes, in Shanghai. Shanghai was a good place to test young diplomats—just as it was a good place to test young griffins.

In their fame, Alcock and Parkes were joined by a third distinguished Briton, George Balfour, who had done the first scouting and the first pioneering in the Settlement and who gained much prominence as an expert on the precarious problems of India. As a Liberal member of the British Parliament, Lieutenant-General Sir George Balfour stubbornly and unsuccessfully tried to induce the British Government to abolish the salt tax in India to “relieve the poorer classes from an obnoxious and, despite all assurances, an oppressive burden.” He had learned his first lessons in empire-building at Shanghai and, perhaps, anticipated those sinister results of the salt tax upon which Mohandas Gandhi, many decades later, based his famous March to the Sea.

Three great Englishmen, then, had come to Shanghai, had given their services, their courage, and some of their best years to the growth of the Settlement. They had left Shanghai before the work was done. But the work could be finished because they had started it.

CHAPTER III

Boom Town

THE ink on Shanghai's memorable constitution was hardly dry when new fears took hold of the Shanghai gentlemen. The main body of the Taiping rebels, in search for an oceanic port, was rolling down the Yangtze, threatening to seize Shanghai, Settlement and all. It was a prosperous place, this foreign Settlement, and it would have been a pity to have it fall into Chinese rebel hands. Shanghai's trade had recovered from the shock of the first rebellion, the forest of masts had returned, four hundred foreign ships came into port every year, eighty million pounds of tea were shipped into distant continents, and sixty thousand bales of China silk found their way into the world over the piers of Shanghai. There were more than seventy hong; the flags of eight nations were fluttering in the blue Shanghai sky. Five or six hundred foreigners were harvesting the fruits of Shanghai's early prosperity.

The governments of the powers who had a stake in Shanghai's Settlement listened to the urgent demands of their consuls and nationals. They sent ships, and they sent soldiers. When the hordes of the rebels approached the city limits, they faced a well-disciplined, well-armed force of fifteen hundred foreign soldiers, mostly British and French. They also noticed the foreign warships in the brownish waters of the Whangpoo. They sat down and meditated. When the war-

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of the Settlement, and wrote to Hong Kong for reinforcements.

The reinforcements arrived, and the Shanghai volunteers were on war footing. There were only two or three men-o'-war in the muddy Whangpoo, however, and the Shanghai gentlemen were not as sure as they used to be. The faint rumbling that used to come out of China's distant entrails had grown into the noisy cacophony of spears and swords and drums. The end seemed very near.

But Kuan Ti, the god of war and peace, who had a special temple in the Chinese part of Shanghai, did not want to see the Settlement destroyed just at that time. He wanted to watch it grow first, with sardonic pleasure. Snow, soft, white snow, fell out of a steel-gray sky, kept falling for two days and two nights and for another day. The hundred thousand, out in the fields, lost their confidence in this country of creeks and pools and canals. They were downhearted and very uncomfortable and, to the Settlement's tremendous relief, moved away.

Diplomatic ventures and military success, however, were only means to an end. They served, or were meant to serve, the purpose of "quieting in" Britain's commercial relations. And these commercial relations required just as much hard work, just as much initiative, as the work of the diplomats. More than that, they required more than bluffing.

It was something every young griffin had to learn when he first came out: the Chinese market was a very particular market; the Chinese customer was a very particular customer. He was, for one thing, extremely conservative. One could not just go out and force new commodities, new brands, or even new wrappings, on the suspicious Chinaman. He wanted something that was "not very much different," and taipans and griffins (or their compradores) had to go to great lengths

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to convince their customers that their new stocks were "just the same."

One of the stories dished out to every young griffin as a warning example told of the screw salesman who was just on the point of closing a deal. The samples he carried were small packets of screws, wrapped in blue paper. His Chinese customer asked him whether he would be able to deliver the screws in brown packets instead. The salesman was amused, then irritated, as he explained how immaterial was the color of the wrapping. The deal fell through. And the obtuse salesman's competitor, who told the customer that he would do his best to deliver his screws in brown packets, although it might take a little longer, got the order.

The Western merchant, in other words, who had come out to do business with the Chinese, had to scrap a good many prejudices; he had to think fast, had to develop initiative, and had to have some imagination. The mentality required in China was different from the outlook of people who had never been east of London or west of Liverpool.

The number of foreign firms had increased, by now, and some of them could afford the luxury of maintaining a foreign staff of six. Jardine's, ably directed by its new manager, A. Perceval, was still Shanghai's most prominent hong—with Dent's, under taipan T. C. Beale, as a close second. Next were King & Co., with D. O. King, treasurer of the Municipal Council and consul for Prussia; and Russell & Co., managed by Edward Cunningham, still "Number One" in the American community. When the taipans gathered for business conferences, dinner parties, or committee meetings, it was an impressive sight. They all came, with their top hats of gray silk, their high collars, their well-tailored coats. And the taipans of the largest hong's did not consider it below their dignity to have their drink with C. Scholefield, the tea-taster, or with Edward Hall, the bread and biscuit baker

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who was associated with Andrew Holtz in the reputable firm of Hall & Holtz, bakers and store-keepers.

Some of the firms back in England had complained, at an early date and in reserved terms, that their Shanghai representatives appeared to grow more selfish the longer they stayed out there; that they were interested in clearing fortunes for themselves, and that they made no effort to create growing markets in the interior, to introduce new brands of English textiles, to develop the China trade in the interest of British industries and British firms. There were further complaints that the taipans did not co-operate with diplomats and officials, that the benefits of the hour were more important to them than the benefits of a long-range policy as Downing Street envisaged it.

These criticisms, of course, were hardly justified. Why should these taipans who had gone half around the globe to carry on their business under conditions which required genuine pioneering—why should they consider the interests of Lancashire or of the Foreign Office before their own? And yet there was something in the Shanghai atmosphere that seemed to hatch adventure—adventure of the rough-and-tumble, cut-throat, glamorous kind. Sir Rutherford Alcock, when he was consul at Shanghai, had noticed this trend with grave premonitions. He had buttonholed some of the taipans and discussed it with them, frankly. And he had received some frank answers, too. "It is my business," one of them had said, "to make a fortune with the least possible loss of time. In two or three years at farthest I hope to realize a fortune and get away. And what can it matter to me if all Shanghai disappears afterwards in fire and flood?"

It was this *après-nous-le-déluge* attitude that had the Empire-conscious diplomats worried. But all their private representations had come bouncing back with the same answer—"We are money-making, practical men." And Mr. Alcock had

reflected, in the seclusion of his study, that, maybe, the taipans were right. "The merchant feels he must be quick in a climate as trying as that of China. He has to snatch fortune from the jaws of death, and, unless he make haste it is more than probable he will only dig his own grave, and be snatched away himself."

This constant race against the unknown which was China; the accelerated tempo of life out there, the "trying climate, both physically and politically, had their share in shaping the Shanghai man. This was no place for sissies. It was no place to settle down, either; no place to erect a house and to raise a family and to be at ease. Built on the unfathomable mud, propped up by treaties and Land Regulations whose strength had yet to be tested, Shanghai was a good place to go out to, to grow rich, and to leave.

The turbulent years of the Taiping rebellion had done much to advertise Shanghai all over the earth. In distant countries, boys were reading about the heroic deeds of the Shanghai volunteers, of the romantic atmosphere of the place, and they all wanted to go there. For the first time white men came out to Shanghai who were neither taipans nor griffins, nor diplomats, nor, indeed, missionaries. They sold their services to the highest bidder, and they found a ready market. Chinese merchants, frightened by the rebels and by all sorts of pirates around the coast, were more than glad to get a European convoy for their valuable grain junk; or to charter entire vessels sailing under European flags and manned by European crews. Europeans and Americans were willing to sell their protection, and they were willing to turn freebooters themselves if that was more profitable.

The rebellion, with its bright aspects of looting and raving, attracted foreigners from distant shores. Criminals, desperadoes, and genuine youthful adventurers flocked to Shanghai. Many of them filtered into the interior: when the

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Taiping army approached the city, two hundred white men were rumored to be in its ranks. Most of them remained in the Settlement after the hostilities. There was plenty to do.

But it was not this group alone which tainted the flawless white of the Shanghai complexion. When the towns and villages of the Yangtze Valley were ablaze with the fires of the Taiping War, the peaceful, stolid burghers and peasants had fled to the foreign Settlement. They simply appeared on its boundary, like a herd of cattle, fear in their dark eyes. And they just walked in, as Chinese would do, uncereemoniously. The precarious safety of the Settlement and the flags of the foreign consuls promised shelter and peace.

Shanghai's Settlement had been a white community for a little more than a decade. At the beginning of the Taiping War it assumed its rôle as haven for the harassed millions of the Yangtze Valley. They were to come in tidal waves, from now on, and each tidal wave was to leave the backwash of distress, revolution, war.

The Shanghai gentlemen discovered that they had a big, understanding heart. They never told their wretched guests to get out. They smelled an opportunity—the typical Shanghai opportunity—to make much money in little time. When refugees continued to pour in, week after week, when the rich port of "Ningpo More Far" was taken by the rebels and its wealthy citizens moved over to Shanghai too, the time had come for the Shanghai gentlemen to forget all about silk and tea and cotton and opium. Shanghai, in the first real estate boom in its history, was touched with madness.

They discovered, the Shanghai gentlemen, that there was more money in their own inconspicuous mud than in the whole sea-going trade of this commercial emporium. Tracts of land that had been neglected were transformed into building lots. The Chinese guests wanted to have roofs over their heads, and the Shanghai gentlemen set out to build them.

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They sold every square foot of unoccupied ground. Then they tore down the walls of their spacious compounds and sold them, sold every bit of them, and prices went up. They overstepped the limits of the Settlement, bought land from Chinese farmers, and sold it, and prices went up. Even the British Consulate, falling in line with the taipans, sold some of its lovely acreage. And prices went still up.

It was the end of the magnolia tree, the end of the "City of Palaces" which had been compared, by some, to the glory of Calcutta. It was the end of aristocratic Shanghai, and the birth of the fastest town on earth. The open spaces of yesterday were now a jumble of streets, a maze of Chinese houses hastily and very cheaply constructed. And the Chinese moved in before the paint was dry. They lived there with their children and with their bird cages, opened their shops, went after their business, and paid rent.

All the land up to a line somewhere five miles inland had been bought up. Money had been borrowed, quick profits had been realized. Speculation was the motto of the day, and whoever had a few shillings to risk was bound to make a fortune. Millions of dollars were squeezed out of the yellow mud. Wild griffins saw themselves burdened with heavy bank accounts. Money circulated freely, and Shanghai grew.

It so happened that the American Civil War, which was fought at that time, had cut the cotton supplies of Britain's textile factories. They had to look for new sources, and the lower Yangtze Valley, with its warm climate and its alluvial soil, was a good place for new crops. Some of the real estate profits went into cotton, and soon the fields of Yangtze peasants were white with the fluffy bulbs. Costs of living went up, the luxuries of London, New York, Paris came to Shanghai. Shanghai could afford higher standards. Three hundred thousand Chinese paid their rent. A thousand white

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men, white men of all ages, classes, nationalities, became rich. Shanghai grew, grew more rapidly than Sydney or San Francisco; grew like a tumor.

But the latent threat of the rebellion was still there. Shanghai was a prize more tempting and more glorious than ever before: the Taipings might roll down the Yangtze once more, trying to take it. There was no security, as long as this rebellion was afoot.

This was the situation back of the rise of Charles George Gordon, the "Chinese" Gordon, who led his Ever-Victorious army against the rebels and, after a year of hard and bitter fighting, squashed the rebellion and saved Shanghai—for the Manchu Dynasty as well as for the taipans. But Gordon's historic victories would not have been possible if it had not been for the splendid work of two American gangsters: Ward and Burgevine.

Frederick Townsend Ward of Salem, Massachusetts, had drifted into Shanghai as a lad of twenty, as master of a arque. He was a Yangtze sailor for a time, but the lure of the Taiping rebellion soon moved him to other fields. He gathered a gang of adventurers, mostly seafaring people, and trespassed into the interior under no authority except his own. Attracted by the prospects of rich booty, increasing numbers of foreign sailors jumped their ships to join Ward's force. British navy circles were shocked by the quick succession of desertions, and the American consul was concerned about his nation's neutrality. Ward was brought, in fact, before the consular court once, under arrest. The charge: enticing American sailors to leave their ships. But Frederick said he had renounced his American citizenship and become Chinese, and nothing further could be done.

Before his end, he "owned" an army of four thousand courageous, well-disciplined men. It was a motley crowd—

white men, Chinese, Filipinos. They succeeded in making the neighborhood of Shanghai safe for trade and traffic, pushing the rebels far into the interior. Even the British Admiral, Sir James Hope, could not help using the "adventurer" Ward and his foreign legion in Britain's campaign against the Taiping army, and from Imperial Peking came word that the Emperor had promoted Ward to the rank of brigadier-general, bestowing on his men the title "Ever-Victorious Army."

Ward was wounded and died, but the Ever-Victorious Army lived. One of Ward's trusted lieutenants, Henry Burgevine, took over, fought several battles, but disappointed everyone through his appalling incompetence as a leader and his even more appalling lawlessness. He constantly quarreled with the officials of the dynasty which he was fighting to save. Finally, when he did not receive all the pay he had expected to receive, he marched some of his troops into the Settlement and "collected" the funds. The Ever-Victorious Army threatened to become a menace instead of an asset. To re-establish discipline, Major Gordon was appointed to command by the British.

Charles George Gordon was the son of a British general. He had been a cadet in the Royal Military Academy at Woolwich and, at the age of twenty-one, a lieutenant with the Royal Engineers. After the conclusion of the Crimean War, in which he had distinguished himself, he had served as a member of various border commissions in the Near East. There he had breathed the air of Asia, had met the people of a strange continent. For a brief period, he returned to England, to serve as an instructor and subsequently as captain with the Royal Engineers at Chatham.

The second Opium War had brought him out to China. He took part in the infamous destruction of the Summer Palace and marched in the north with the British army.

occupation. When he came down to Shanghai to clear the lower Yangtze Valley of the remnants of the Taiping rebels, he was a brevet-major whom close observers credited with a future. He wore a mustache and looked as though he shared the view of those observers. When he took command of the Ever-Victorious Army, he was just thirty.

Although he was ordered to reorganize the group, he did not trouble with the details of equipment and organization. Immediately, he led his men into action, storming the rebel stronghold of Chansu near Shanghai, and startling his war-scarred veterans with his own courage and brilliancy. His swift action won their confidence.

After the first victory, Gordon took a good look at the little force with whose command he had been entrusted. There were about four thousand men by now. The privates were Chinese, with a sprinkling of Filipinos, the officers were foreigners, belonging to quite a number of nations. In reorganizing the force, Gordon drew on his experiences as an engineer officer. Fighting in the Chinese countryside involved the crossing of innumerable creeks, rivers, ditches and canals. He saw to it that his army was equipped with pontoons and with platforms and planks for bridges, and that each individual unit carried a sufficient number of bamboo ladders—so that, if need be, the entire force might cross a river or canal at the same time. The key unit of the army was its artillery, however. Its naval guns and howitzers, its rocket tubes and trench mortars could deal telling blows.

Inspired by Gordon's dashing personality, the men did wonders. They took town after town, stronghold after stronghold, and pursued the rebels far into the hinterland. Gordon, who spent his entire salary to mitigate the hardships of his officers and men, and who even allotted some of his private funds to the starving population of conquered cities, was the demi-god of his little army.

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But after the capture of rich and flourishing Soochow Gordon suddenly walked away from the field of battle and withdrew into his tent, like Achilles before Troy. The Imperialists, who had followed in the wake of his army and had taken possession of the captured city, had executed some of the rebel leaders whose lives Gordon had promised to spare. His shield of honor had been stained. And he sat down with his army and did not move for several months until his wrath had blown over. Then, he led his men back into battle and victory, and finished the job as brilliantly as he had begun. He took the last forts of the Taipings and silenced them forever. The "younger brother of Christ" had killed himself, lest he be taken prisoner.

Gordon disbanded his force. The Chinese Emperor, overcome with gratitude and joy, offered him a large amount of money. Gordon refused. The Emperor promoted him to the rank of *titu* and conferred on him the yellow jacket and the peacock feather—the highest decoration of the Empire—and Gordon accepted. As a lieutenant-colonel in the British army he left the scene of his spectacular victories to serve his country in other parts of the world, in Egypt and in the Sudan and in the Cape Colony. But he was "Chinese" Gordon from now on, wherever he went.

There was peace again, and Shanghai was relieved. On the vast interior, in villages, towns, cities, along rivers and footpaths and canals, twenty million people had been killed.

The Shanghai gentlemen, in the zenith of prosperity, convinced of the tremendous possibilities of their Sheltered Settlement, evolved a new scheme: political, this time, and therefore not practical. They wanted to sever Shanghai from both its ties with the Celestial Empire and its ties with the foreign governments whose flags were flying in the breeze

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Make Shanghai a Free City, a sovereign, independent republic, and its prosperity would soar sky-high.

A group of influential taipans—Edward Cunningham, James Wittall, J. Priestly Tate, Edward Webb, and James Hogg—sent a petition to the Municipal Council in which they suggested the establishment of a Free City under the ‘protectorate’ of the powers, and under the political control of both foreign and Chinese property owners. The Municipal Council, it seems, was all for it. But the diplomats vetoed it, and blocked it for good. “I am not authorized,” said President Lincoln’s first American Minister to China, Anson Burlingame, “to consent to any scheme which does not respect the rights of China as a sovereign state over her territory and subjects.” “Because we protect Shanghai from falling prey to a horde of brigands, it does not follow that we are prepared to interfere with the natural relation of the Chinese to their own Government,” added the British envoy with profound indignation.

It was not so much respect for the letter of the treaty, however, which clearly stipulated that the Settlement was to remain Chinese soil and that the foreigners enjoyed the right of residence only—one could have got another treaty if it had been opportune. But it was not opportune at all, as the creation of a Free City would have meant handing Shanghai to the criminals and adventurers and freebooters who had made themselves at home here in the last few years. By sheer weight of numbers, they would have been able to run the Republic of Shanghai. And, besides, what if the Chinese retaliated by throwing a cordon of custom barriers around the City? It would have meant strangulation; for Shanghai, without its hinterland, was of no use. The scheme fell through.

The quest for a more efficient, more catholic form of government led to the acceptance of a minor solution: the

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British and the American Settlement joined hands across Soochow Creek.

This is how it happened. The American Settlement had remained the Cinderella of Shanghai. With typical Yankee enterprise, United States citizens had built one street and called it Broadway. That was about all. When the tide was high, the contaminated, fetid waters of the river flooded most of Broadway and some of the shabby and already dilapidated buildings that lined the "American" shore—sailors' joints, wharves, and a few modest homes. It was a disappointing sight for anyone who thought of the Chinese name of the place: Hongkew, the Rainbow Mouth. Americans sent envious glances over to the British Settlement, with its wealth, its good order, its neatly laid out streets.

The British had a more efficient police force, too, and the six constables in charge of law and order on the American side could not prevent their community from becoming a hide-out for the worst elements of the city. The American Settlement was chock-full of criminals. And, besides, what was the use of arresting them? There was no prison.

The British had a beautiful prison, erected on the grounds of the Consulate, and the only foreign prison—for foreigners—in Shanghai. Bashfully, the Americans asked the British a favor. And out of a courtesy which allowed the Yankees to put their convicts in with the British, out of that courtesy originated the International Settlement. A bad omen, one might be inclined to say, if it were not for all the other bad omens in Shanghai's shocking history.

The first thing the British did was to send a police detachment across the Creek and to clean up. Then, the combined Settlement revised its constitution, giving franchise only to those white men whose annual land rent was no less than five hundred taels. Thus, the white rabble was kept out, and the taipan oligarchy was perpetuated. On its new, broad,

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international basis, the Settlement could grow more freely than before. The French alone, filled with imperialist jealousy, remained aloof. They retained their Concession between the International Settlement and the Chinese city, under the supreme jurisdiction of the French consul who was responsible to Paris.

After the boom came the collapse. With the news of Gordon's gallant victory the exodus began from the Chinese sections of the Settlement. The refugees left, walked out, quietly and unceremoniously—like a herd of cattle. Most of them went back to their villages and to their rice fields. And although great numbers of them who had started some new business remained in Shanghai, whole blocks, whole sections of the city were vacant. Some of the tenements had brought their owners a ten thousand per cent return on their investment. Fortunes collapsed just as quickly as they had been made.

Well-known firms announced their failure in quick succession. The Brick and Saw Mill Company closed down. Godowns were empty. Newly erected blocks of Chinese houses were left standing with their scaffolds, unfinished. As all available funds had been sunk into real estate ventures, there was a sudden shortage of cash. Out of eleven foreign banks in the Settlement, six suspended payment. The scum of the refugees infested the Chinese quarters of the city, where gambling houses had sprung up and where prostitution and other vice were rampant.

As one misfortune does not come alone, the cotton and other markets, badly inflated by overspeculation, crashed. Shanghai suffered from its first depression. The Shanghai gentlemen, cocksure and overconfident a little while ago, were deeply shaken.

But you couldn't stop Shanghai. The Shanghai scheme,

so cleverly conceived, was infallible. The mighty Yangtze had been opened to foreign shipping, the vast alluvial plains and steep gorges along the river were laid open to the influx of foreign merchandise, and the products of China came down the river. You couldn't stop Shanghai from growing. All it had to do was to sit there, between the river and the sea, and to collect.

Out of the purple clouds of an artificial boom Shanghai came down to earth again. It found its proper level. Soon, its legitimate trade grew by leaps and bounds. And, after the consolidation, its prosperity was more firmly established.

A new spirit of enterprise took hold of the taipans, as the foreign ships came back to the piers of Shanghai to unload and to load. Long-term transactions could be made again without a margin for a sudden rise or fall of the values involved. Credit was put on a solid basis again, as those firms that had survived the crash had proved that their assets were solid. Besides, a new source of wealth spurted from the debris: the silk-weaving industry, which had been driven out of Soochow and Hangchow during the hostilities, had established itself anew in Shanghai. New hopes and new prospects were rife.

Among the new developments two were of special significance. In the turmoil of speculation and collapse, a new firm had emerged, a most prodigious child of the crisis. A number of taipan firms had floated it and called it the Hongkong & Shanghai Banking Corporation. It was to compete with existing local banks, most of which were simply agencies or branch offices of British Empire institutions, as a house for the financing of the taipan trade. Dent & Co., who had cleared two hundred and fifty thousand pounds in "experimenting" with the Japan trade, had taken a leading part in creating the new institution. And while the sudden collapse made the glorious firm of Dent's insolvent for a while, the

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new bank lived through the depression, fought off the attacks of a powerful little group of competing taipan-bankers, and grew.

Russell & Co. had also found an outlet for its stored-up profits. The American firm had availed itself of the new possibility to carry on trade along the Yangtze River. It had floated the Shanghai Steam Navigation Company, with a capital of a million taels, and it operated up-to-date, white passenger boats, "built on the American plan," and probably copied from Mississippi models, all the way up to Hankow. The most interesting feature of the enterprise was the fact that in its establishment, for the first time, foreign and Chinese capital had co-operated.

But the brightest aspect of the upheaval was the fact that the face of the white community had been enormously enhanced by Gordon's victories. "What a change has come over the scene," observed Dr. Medhurst, the old-timer. "The foreigner is present and prominent everywhere; he is regarded, and with reason, as the depositary and source of all wealth, influence, and power. Foreigners own the most magnificent houses, and conduct the most wealthy banks and firms; foreigners own and command the finest ships and steamers; foreigners are the most powerful and efficient mandarins; foreigners have the biggest guns and bravest soldiers; foreigners, somehow or other, collect successfully the most abundant revenue, and without the appropriation of a cent for themselves; foreigners are honest, reliable, rich and strong; in fact, foreigners are everything. Contempt for foreigners is no more possible in Shanghai."

When you arrived at Shanghai in the sixties, your steamship crawled up the Whangpoo River and docked, with much ado, at one of the two 350-foot piers of the Shanghai Dock Company. You were on the Hongkew shore, and you prob-

ably noticed some of the none too attractive backyards of the American section of the Settlement. But down beyond the curve of the river, you saw the famous forest of masts, the pride of the city. You disembarked.

In one of those tiny sampans which were moved with one oar and which always threatened to capsize but never did, you were whisked to the heart of the Settlement where you set foot on the sacred soil of Asia, jumping over to one of the small stone jetties at the head of the Bund. You nudged your way through a maze of cotton bales, crates, bags, and barrels that were stored here for shipment in one of the larger sampans, and you had trouble walking ahead without being run over by some of the coolies who were loading or unloading or just hustling about without any particular purpose. When you emerged, slightly dazzled, you were likely to run into a newsboy who said, "Paper, Master?"—and you bought the latest edition of the *North China Daily News*.

You found yourself facing the grounds of the British Consulate, with the Union Jack fluttering high above its friendly brick buildings. Through the open gate you saw a piece of green lawn with a few flower beds. To your right—the wooden bridge that led, across Soochow Creek, into Hongkew. But to your left, the wide, sunlight-flooded Bund stretched along the river front, no longer a muddy towing path: it was paved and neatly laid out, and it was sprinkled with well-groomed gentlemen in European dress, who were out for a walk in the sunshine. With much grace they doffed their heads whenever one of those gay, stylish carriages passed by, and once in a while, a blonde lady in an open carriage would smile out from under her umbrella.

Strolling along that beautiful esplanade—the white front which was big enough to hide a continent—you passed the big hong buildings, which were without their spacious parks,

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but still impressive enough. There was the row of buildings that were Jardine, Matheson's, who had bought this valuable piece of property for something like five hundred dollars back in the fifties. They were interested in more lines of business than anyone else, and their hong name "Ewo" meant Precious and Compliant. Then there were the buildings of Messrs. A. Heart & Co., the Oriental Bank, and you might have looked in at Russell & Co., the Number One hong under the Stars and Stripes.

In the very center of the Bund, there was the Customs House, a pompous Chinese temple with curved roofs and protruding gables, strangely contrasting with the hongts that were built in the style of Italian country homes. Beyond the Customs House, you passed the house of Messrs. Dent & Co., and finally arrived at the most stately of all the buildings: the Shanghai Club. You stepped in, maybe, for a drink, and you met some of the taipans of the British community. If it was an hour or so before dinner, you met *all* the taipans of the British community.

Not all the hongts were strung up along the Bund, however. The Bund lots were expensive, and most of them were taken up anyway. Along Maloo, the former Park Lane and the future Nanking Road, Western firms had established their offices, and you had to walk for a few blocks until you saw some of the deserted two-story tenement houses that had been built during the boom. There were enough Chinese left, though, and you watched them along the narrow streets and in their shops and stores, an orderly, well-behaved crowd in blue cotton. They seemed to get on all right, and were very much at ease, apparently, under the protection of the consular flags of Britain, the United States, France, Prussia, and Spain.

If you were in with the taipans, it did not take you very long to discover that they still attempted, with much success,

to live in the style of British country squires rather than along the lines that the faster, younger set preferred. They were slightly older, on the average, than the first group that had come out here, and a good many of them kept house with their families. You were invited for dinner and you might have relished one of the best meals you ever tasted—though, caught off guard, the lady of the house might have mentioned the fact that food prices were five times as high as they had been ten years ago: a hangover from the boom. (She also might have told you that her house-boys were imported from Canton—the natives of Shanghai were too “helplessly stupid” to make good servants.) Fish, ducks, wild geese, pheasants or mutton, beef, eggs, rice, and cabbage were the essentials of the taipan’s diet, and he managed to thrive on it. Then, in the fall of the year, the grapes and the peaches and all the other fruits came down in heavy junks from the northern provinces to adorn the Shanghai table.

You could buy American and European goods in some of the stores along Maloo, and you could even have a quick meal at one of the *table-d’hôtes* that had been opened in various parts of the city and that were fitted out in the Parisian style. But you never paid for it. You simply signed your name on a chit, as everybody else did, and let it go at that. At the end of the month the chits were sent to you for payment, and you probably found that you had signed more of them than you remembered. But then, as later on, in this money-making, money-conscious city, no one wanted to see the color of your money. You were surprised whenever you received one of the one-tael notes issued by the Hongkong and Shanghai Bank. You never carried money. And you never carried matches. Whenever you filled your pipe, there were plenty of “boys” to light it for you.

When you inquired about sports and recreation, the tai-pans told you, a bit embarrassed, that they had sold the old

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recreation ground during the boom. But they had used some of the profit to level in a new one, in the center of the Settlement, and you could go there and partake in the games, or see the pony races. Bubbling Well Road had been built, chiefly to open up more real estate in that direction, and a million taels had been spent on the removal of the coffins that blocked the path. It made a fine walk now, and you might have liked a sip of green tea in one of the gardens there on a warm Sunday afternoon. The well itself, of course, was disappointing, for its water was muddy and the bubbles were carbonic acid gas.

The most enjoyable entertainment, however, was one of the shooting parties that Shanghai taipans liked to arrange at that time, and that took you out into the country. You left on a slow, heavy houseboat, and went up along one of the many creeks or canals, where pheasant, partridge, quail, and an occasional woodcock hid behind the tall reeds. The excursion up Soochow Creek to a place called Wong Du was quite popular, and you stayed on your houseboat for two or three days and walked across empty cotton fields to do your shooting—much to the amazement of the Chinese who thought it stupid of the white men to do their own shooting if they could have paid somebody else to do it for them. But so great was the awe of those stolid peasants out there in the sticks that you could buy eggs and tea from them and sign your inevitable chit. They would come into town some time this or next year and collect. . . .

And there were other country-squire diversissements. Paper hunts had been organized and some officers of British regiments had come out very well. The first hunt had been won by one Augustus Broom on a pony called "Mud." The Shanghai Yacht Club arranged races along the Whangpoo every year; there were tennis courts, and there was the Amateur Dramatic Club which performed in an empty go-

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down, to everybody's delight. And after sports, walks, shooting parties or the theater, one again retired to the Shanghai Club, the pride of the Settlement, built during the boom on a Bund lot that had been Hiram Fogg's store, and much too big.

There were slightly more than two thousand foreign residents in the Settlement, according to the census of 1865, and about the same number of British soldiers and sailors. Add to this the thousand-odd shipping people who considered Shanghai their home port, and you have about five thousand foreign devils—apart from the five hundred who lived in the French Concession. A rather impressive community, compared to a couple of missionaries and a lone consul twenty years before.

The British were by far the largest group—four thousand out of five. Next to them were five hundred Americans and three hundred Germans. The British, with their large number of taipans and their regiments, naturally set the pace. They set the pace politically and socially, and they were entitled to this privilege: they, after all, had first constructed the edifice of treaty rights, had paid for it with British money and with British blood, and other nations had stepped into this building, enjoying the same rights. The Shanghai scheme, the idea of a century, had been conceived by British brains, and it might be added that it could not have been conceived by any other brains. The British knew why it had to be Shanghai and no other place along three thousand miles of China coast. The other Western nations did not. They remained, to the very end, relatively naive lookers-on reaping the fruits of British ingenuity, and doing very well at that.

The Yankees were so close to the British that friends or partners often did not know of their different passports:

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but the Germans kept to themselves from the beginning. They had two or three substantial hongks and quite a number of small firms. Socially, they did not mingle with the Anglo-Saxon group although relations were cordial whenever the two had an occasion to meet. They had their Club Concordia, which was second only to the British Shanghai Club, and there they met for formal parties in the large ball-room upstairs, if they did not prefer the bowling alleys and the billiards on the ground floor. They were fond of good music and some American or English guests would drop in, once in a while, to listen to their concerts.

Just as the Germans stuck to each other within the Settlement, so the French rarely stepped out of the French Concession, where nearly three hundred of them lived. They were good business men, and the large buildings of the Messageries Impériales were looming massively over the French Bund—or, rather, the *Quai de France*. In their community, the Jesuit fathers were probably the most highly respected element. They were stationed at Siccawei and were to become very prominent holders of landed property as time went on.

Apart from those four Western communities, Shanghai was filled with nationals from almost every country on the surface of the globe. There were Spaniards and Portuguese, Scandinavians and Russians, Greeks and Dutchmen and South Americans. They were all in business—*some* sort of business—and they all prospered in the Shanghai climate which was tropical for three months and moderate for the rest of the year. Only the Americans could not get used to this climate: it reminded them of New York, and Shanghai was almost as far south as New Orleans!

What made life so easy and breezy for most of these foreign devils out here was their "extrality." If they should ever get arrested by the Municipal Police, they were to be turned

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a city founded by white men and run by white men. The hundred thousand were tolerated and ruled, and their complete lack of municipal franchise was to perpetuate this state of affairs. Whether the taipans ever sensed that they were storing dynamite in the treasure house of the Settlement, it is hard to say. The Revised Land Regulations of 1866 gave the Chinese guests the right to participate in the municipal government; but the foreign diplomats in Peking canceled that clause. It took the Chinese sixty more years until their representatives were admitted to the Municipal Council. And then it was too late.

CHAPTER IV

Sowing the Wind

"TAKE away your opium and your missionaries and you will be welcome," said Prince Kung of China to Sir Rutherford Alcock of Britain. But Prince Kung was an optimist. The British took away their opium long after the damage was done; their missionaries, they never took away; and welcome the British never would be. The spectacular growth of the opium trade, the rapid multiplication of missionaries and, especially, the invasion of the Celestial Empire by the White Man's machines were to show how much Prince Kung underestimated British vitality.

The Shanghai trade, in the year 1865, looked like this: China exported, through the port of Shanghai, 13.6 million taels' worth of raw silk; 14.5 million taels' worth of tea; four million worth of cotton; and over five million worth of sundries—some thirty-seven million taels' worth, altogether. Imported into China, through the port of Shanghai, were 13.2 million worth of textiles, half of which were woollens, the other half cotton piece goods; thirty-five million worth of sundry products, including tea and the produce of the coastal regions, brought to Shanghai for re-export; *and 16.4 million taels' worth of opium.*

There were about three taels to the British pound, and the figures speak for themselves. Not only did opium account for the largest single item on the list of imports into Shang-

hai, but the opium trade yielded five and a half million pounds a year to those who were engaged in it! Nowadays it was carried on quite openly and cynically. The Treaty of Tientsin had stamped it as legal business, and foreign ships carried the deadly drug from India into Shanghai. There were Indian firms in the Settlement who cleared millions, and there were the offices of "two large Jewish houses," the Sassoons, of whom the British said that "they were quite inoffensive, and their *raison d'être* was chiefly the opium trade."

Some of the provinces of China, however, were white with poppy fields—the trade was legal, and so was the production. The entire nation was affected by it, and some of the foreign missionaries who still resided in the walled city at Shanghai complained that their homes were completely surrounded by opium dens, marked by their conspicuous bamboo fences. The savings of the coolie and of the "boy" and, maybe, of the compradore, went into opium. And, although part of the consumption was now supplied by the Chinese themselves, the major part still came from India, the profits sank into British pockets, and the stigma stuck to the foreign devils. For the Chinese knew very well that opium emasculated the race, and they remembered that the Emperor's son in far-away Peking had died from too much of the drug.

It was not till 1908 that Britain agreed to restricting the import of Indian opium, a prohibition which did not become effective until 1917. Until that year, the large and sinister-looking opium barges were tied up along the very Bund, in full view of the Settlement. When the British withdrew from the trade, the Chinese production was sufficiently developed to supply the needs of the nation.

So much for the opium trade. Shanghai, by now, had become the hub of the continent that was China; it had become the

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spider in a net moored to the border posts of the Celestial Empire. The spider grew fat; but he was sensitive to every movement in the net, and the net was to sway with every movement of the spider. It was a very intimate relationship. So the taipans chose Shanghai for a unique demonstration: they would construct the first Chinese railway here; and, as all China would see, the whole Chinese nation would soon be traveling by rail.

A plot was hatched, a plot which was so typical of the Shanghai mind that it deserves to be re-told in detail, although it ended with the ignominious defeat of the taipans.

To build a railroad between Shanghai and Woosung, twelve miles down the river on its confluence with the Yangtze, a great many plots of land had to be acquired. An organization composed of American citizens approached the Chinese farmers who held the land and, to prevent them from smelling a rat, styled itself as the Woosung Road Company. In the title deeds which had to go to the Chinese authorities for legalization, the purpose of the transaction was given as "constructing a road for cars." If the Chinamen did not know that "cars" included railway cars as well, too bad for them.

The first the Chinese ever heard of the real purpose of the project was when they were asked to admit foreign steam engines. duty-free. And the first thing they did was to protest. The rights of Chinese peasants were wrongfully threatened; Chinese highways were to be stopped up; waterways were to be filled in, and others were to be strangled by bridges which were so low that heavy cargo junks could not pass beneath them; a large, densely populated area was to be reorganized along new and dangerous lines. Was there anything in those exacting, well-thought-out treaties to justify such action? And, if it was justified, why had the foreigners attempted to conceal their true purpose as long as possible? "If we want

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railway—and to appoint them, the British firm, their agents for the actual management. After that, Mr. Mayers had to go back to Peking with the *taotai's* final answer, which was negative.

While these negotiations were under way, Jardine's had quietly finished the railroad, and the first four miles of tracks, connecting the Settlement with a place called Kungwan, were formally opened. At the ceremonies, the British Consul (who had bought some of the railway shares) drank a toast to the prosperity of the venture; and although the British Minister did not officially attend, he stayed in Shanghai as a house guest of the Jardine, Matheson taipan.

The railway—still called a "tramway" in the English-language papers—started operations. Trains were running regularly, and the Chinese peasants came out of their huts and put on a delighted grin when the trains puffed by. From this delighted grin and from the fact that no one threw stones at the trains (as the English had done to *their* first railways not so long ago), the taipans concluded that the railway was very popular with the Chinese. But the mandarins were violently resentful; they told the people that this was the work of Satan, and premeditated riots broke out all along the tracks. The terminus at Kungwan was almost destroyed by a raging mob.

Meanwhile, the smell of the affair had reached London where not only the brains but also the conscience of the Empire were at work. Humanitarian organizations, such as the Anglo-Oriental Society for the Suppression of the Opium Trade, the Aborigines' Protection Society, and others, were vocal at the time, and when a Chinese man was run over and killed by the railway, the matter was dragged into the columns of the *Times*. A gentleman writing under the pseudonym Justum called the British action "a deliberate violation of international law."

A violent debate ensued. There were writers, some of them connected with London firms interested in the railway scheme, who maintained that the railway was an excellent means of impressing the Chinese "with the inexorable fact that Western ideas must prevail." The benefits of the enterprise were pictured in bright colors, and the traffic accident was represented as a suicide. But there were voices which insisted that steam, in itself, held no terror for the mandarins, but that it was the fear of economic penetration, the "fate of India," that haunted those patriotic Chinamen.

When some expressions of Britain's metropolitan conscience came back to Shanghai, and when one of the magazines had the presumption to ask, "Are Messrs. Jardine & Matheson more powerful than the Chinese Empire?", the British Minister dispatched Mr. Mayers to Nanking, on a gunboat this time. The British fleet moved up to Woosung and remained there, ready for action. A compromise was reached, saving face all around. The railway was sold for 285,000 taels and, while the operation of trains was to continue for another year, the Chinese Government had the right "to continue or desist from the working of the line." There was even an inconspicuous clause fixing a compensation for the man who had been killed—the suicide—and, in all future railway schemes, the Chinese Government had to be asked for its approval in advance.

It was a sad little scene, and not at all like the ceremonial opening a little over a year ago, when the last train left the Shanghai station. The Chinese had paid the price, and they did not lose any time tearing the railway to pieces, pulling up the tracks, and sending the parts as far away as the Island of Formosa, where they lay rusting on the beach for many years to come. It was not till the end of the century that a new line was opened between Shanghai and Woosung. The mandarins, by that time, were no longer anxious to thwart

any scheme the foreigners proposed. But here, for once, the Chinese Empire—and public opinion at home—had proved stronger than Messrs. Jardine & Matheson. The taipans had lost a battle.

When thoughtful Englishmen admitted that steam, in itself, had no terror for the Chinese, they came close to the truth. The Chinese were no children, they had made very notable inventions themselves, and they were not averse to mechanical locomotion. When they tried to keep the foreign gadgets out of their country as long as possible, they had better reasons than fear.

The Court and the mandarins, who were responsible for the well-being of the Chinese race, saw catastrophe in the wake of an industrial revolution. They saw millions of unemployed coolies, pullers and carters. They saw the boatmen along the narrow gorges of the Yangtze River, idling and starving, the densely populated stretches of land along the river banks exposed to disaster and revolt. Life was precarious enough for those millions who lived by paddling or pulling the wooden ships of China, and no one could foresee what would happen once the balance of their meager existence was upset. Europe, after all, had adopted those gadgets—steamers, locomotives, factories—slowly and gradually. If China was forced, inconsiderately, to shift to “Western ideas” with sudden vehemence, anarchy, disease, and starvation might be the result.

There was, above all, the fear that the Celestial Empire would be an easy prey for the White Man, with all those weapons of penetration in his ruthless hands. When courteous mandarins told the British that they did not want to have coal mines in their country because the spirits of their dead ancestors would not like the disturbance, they knew what they were talking about. They also objected to the tele-

graph; but here, the taipans won out after a brief skirmish. Again, it was a curious story.

Telegrams from London took just about three weeks to reach the Shanghai taipans; they got as far as the Siberian-Mongolian frontier, were carried to Peking by courier, and thence by steamer to Shanghai. To save a day, at least, an enterprising firm had built a telegraph line between Shanghai and the Yangtze mouth. Chinese farmers, with the blessing of their mandarins, had wrecked it in no time. Finally, when a cable line had been laid between Europe and Hong Kong, the taipans sought Imperial sanction, at Peking, for a deep sea line down to Hong Kong. The sanction was given, but with the condition that no cables or poles were to be brought on land. If the taipans cared to hitch the line to the lightship out in the Yangtze, fifty miles below Shanghai, they were welcome to do it. But taipan Thomas Hanbury quietly arranged with the local officials in Shanghai and got their permission, for the customary "squeeze," to erect the posts in the Settlement and to attach the wires. There came no word of protest from the Forbidden City and, when the European silk crop was ruined a few years later and Chinese merchants made two million pounds because they had got the news over the telegraph, the Celestial Empire was reconciled.

Slowly and cautiously, the Chinese tested the White Man's gadgets and, whenever it seemed safe, adopted them in small doses. When the first rickshaws appeared in the Settlement, imported from Japan, they did not gain popularity for a long time: they were the White Man's invention. As such, they were subject to a deep and genuine suspicion which it took much time to overcome. When the imports of T-cloths were on the up-grade, at one time, the *North China Daily News* was cynical enough to admit that "from their resemblance to native cloths they will probably always enjoy an

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immunity from the prejudice which the Chinese entertain against all foreign goods, but which, at the same time, they are rapidly overcoming." When the China Merchants' Steam Navigation Company was founded and when it bought, after some experiments with the old P. & O. steamer *Aden*, the fleet of Russell & Co., it was a great event indeed. China had taken to the steamship at last, and coastal steamers were plying between Chinese ports under the Dragon flag!

Those early gropings toward the "Westernization" of China might have met with more success if the British had not shocked the Chinamen by the methods with which they handled the famous *Ocean* case. While the story of the Woosung "Road" was one of small-time crookedness, the *Ocean* case remained a blot on Britain's shield forever.

On the 4th of April, 1875, the British steamer *Ocean* ran into a Chinese steamer, the *Fusing*, somewhere in the Yellow Sea between Shanghai and Tientsin. It was a calm day, with a smooth, rolling sea, and no one ever questioned the fact that the collision was caused by the *Ocean's* faulty navigation. She struck the *Fusing* on the starboard bow and the Chinese ship sank within a few minutes. There was a panic, a vicious scramble for the life-boats, the crew was unable to master the situation and, when the *Fusing* went down, only one of her boats got clear—by simply floating free—saving twenty-six. Others jumped overboard and were picked up by the *Ocean*. But sixty-three people, passengers and crew, went down with the *Fusing*.

The ship had been the property of the China Merchants' Steam Navigation Company. It was officered by six Europeans, carried a Chinese crew and Chinese passengers who were on their way to Tientsin. The Europeans, with the exception of one man, the Third Engineer, had been saved. Among the drowned passengers were several minor officials

of Kiangsu Province, three members of the Rice Committee, several ordinary travelers, and a number of servants. Five members of the purser's staff and twelve of the crew were among the dead.

The destitute families of the drowned started to ask questions. They started to ask the Chinese steamship company for assistance, and Mr. Tong, the company's manager, sent a letter to Captain Brown of the *Ocean*, asking him how he intended to settle for the damages. A penciled "W. B." in Mr. Tong's chitbook was the only answer he ever got. It stood for William Brown and meant to confirm that the letter had been received.

The case was brought before the British consul, W. H. Medhurst (erstwhile interpreter under Captain Balfour), who suggested the appointment of an English lawyer for the plaintiffs. On June 11, hearings in the case of "Chinese drowned by collision of S.S. *Fusing* with S.S. *Ocean* vs. Captain William Brown, of the *Ocean*" formally opened at the British Consulate in Shanghai. On the bench Her Majesty's Consul and *taotai* Fung watched the proceedings in the interest of the plaintiffs. Captain Brown, the defendant, had brought two British lawyers, Mr. Wainewright and Mr. Hannen, while Messrs. Drummond and Eames had appeared for the plaintiffs. The room was filled with Chinese men, women, and children, the families of the dead, who sat there, quietly and modestly, placing all their confidence in Mr. Medhurst and in the sterling qualities of British justice. This was the only major case to have come up before the British Consul in many years, and the atmosphere was tense with excitement and expectation.

Suit was brought for 63,000 taels in damages—1,000 taels for each drowned person. The Consular Court had convened under the provisions of the Treaty of Tientsin, and the dead Third Engineer had to be struck from the list of

plaintiffs because he was a European and the treaty provisions applied to Chinese plaintiffs only. Then, with painstaking accuracy, the evidence was sifted, the witnesses were heard, and the case was adjourned.

The second hearing, a month after the first, opened with a most embarrassing incident. The steamship *Ocean*, which had been lying in port and which had been considered, by the plaintiffs, as solid security for their claims, had quietly asked for her customs clearance. She had received it, the day before, from the shipping clerk who was a member of the British Consul's staff and whose office was in the British Consulate. The manager of the Chinese steamship line, who had got wind of the *Ocean's* action, had addressed a last-minute appeal to Consul Medhurst, literally begging him to prevent the sailing of the ship. His letter, which was read in court, said: "We learn that the customs clearance has been granted and that the *Ocean* is about to leave. . . . The vessel should not be allowed to depart. . . . The representatives of the families of those that were drowned are continually coming to our office, bitterly complaining. . . . If she now be allowed to proceed what security shall we have for the payment of those damages that may be awarded?" And, with weighty candor, the Chinese added a warning: "The case is one very seriously affecting Chinese and foreigners."

But Her Majesty's Consul, clearing his throat, asserted that the present proceedings were against the master of the ship only, and did not cover the ship itself, and that there was nothing he could do about it. As for the ship itself, it had left the port, there was no doubt about it, and had received the clearance papers from the British Consulate. When counsel for the plaintiffs, whose British sense of justice revolted at this point, declared that his clients might hold the British Government responsible for the damage,

the Consul replied, "In fact, they hold *me* responsible!" And after this discussion, which can hardly have failed to impress the Chinese audience, the court withdrew for lunch and deliberation.

In the afternoon, Consul Medhurst re-entered the room and read the following sentence: "We have taken great trouble to come to a decision, and this is the decision we have arrived at. We consider that the loss of life which unquestionably occurred was caused by the bad navigation of the *Ocean* by her master. . . . Our decision, therefore, against the Master of the *Ocean* is that he is liable, in respect of his negligence to what is actually necessary, to make good the damages sustained by the families concerned." And Captain William Brown was, in all seriousness, adjudged to pay the plaintiffs 300 taels for each of the drowned passengers, and 100 taels for each servant and member of the crew; 11,000 taels, all told.

When the bereaved who had listened to this solemn mockery attempted to get their money, the Consul informed them that his Government had not provided him with the necessary powers and directions as to the procedure, and that he was unable to enforce his judgment. He could, he regretted to say, do nothing further in this matter.

Indecencies like this did not contribute to the harmonious understanding of Chinese and foreigners in Shanghai. The rift between the two communities deepened with every year. And the Chinese realized that their unwanted guests, who had come here for the avowed purpose of growing rich, were openly deriding them from the safe bulwark of treaties and prerogatives.

Relentlessly, the Western powers had hammered away at Imperial Peking, had extracted concession after concession at the point of the bayonet. Foreign Ambassadors were by

now accredited at the Forbidden City. But the taipans were not completely satisfied with what they had obtained; they still felt frustrated by the wiles of a shrewd, decadent Chinese officialdom. They were irked, especially, by the manner in which the Tsung-li Yamen, the newly established Foreign Office, dealt with foreign diplomats. The officials of this Yamen, Chinese in character and manners, always sat there, in a row, and repeated their "no can do" much too firmly and much too frequently. Their lack of co-operation seemed intolerable to the foreigners whose weapons had proved superior in the field. Word got back to the British public at home that China's rulers and mandarins were incredibly corrupt, insincere, unreliable, and that their complete eradication would be a step forward in the general progress of mankind.

What the Chinese said about the foreigners, the Shanghai gentlemen did not hear. But they had a suspicion that it was none too flattering, and they re-established the Shanghai Volunteer Corps as a permanent institution under the Municipal Council's authority. Still, they did not feel comfortable when reports came through that told of some unspeakably cruel assaults on missionaries in the interior.

The French felt the first broadside of Chinese hatred when they attempted to build a road through a cemetery. It was the cemetery of the Ningpo colony in Shanghai, and unquestionably within the territory of the French Concession. The burial grounds were attached to the Ningpo joss house, for the benefit of those families that were too poor to ship the coffins down to "Ningpo More Far." To build their road, the French had to remove most of the coffins and to disturb the peace of the dead.

Of all the spiritual ideas Asia has evolved, the worship of the dead is the strongest, the most deeply rooted. A riot broke out, fires swept the French Concession, crowds were

raging through the streets, and the Frenchmen did not dare to leave their homes. They did not dare to leave them until their naval authorities had landed a detachment of marines from one of their gunboats and re-established law and order by the simple process of shooting into the crowd where it was so thick that there was no chance of missing.

But the French were frightened, and they did not like trouble. So they abandoned the excavations for the road, told the Ningpo people to build a stone wall around their property, and promised never to disturb the quiet of their dead. The British, in the International Settlement next door, were furious about this loss of face: white men were not supposed to give in, and, with the proper show of force, the French could have got what they wanted. . . . (Much later, at the very end of the century, when the Chinese were no longer able to resist, the French broke their promise and laid their road right through the cemetery, killing twelve Chinamen who were trying to protect the spirits of their ancestors.)

The riots around the Ningpo joss house might have become the signal for a wide-spread upheaval, a war to end all foreign arrogance. If the storm had broken then and there, foreign privileges and prerogatives might have been swept away; for hatred was universal, deep, and just. But an effective anti-foreign movement needed a centrally located dynamo. This dynamo, in the China of the Nineteenth Century, would have had to be in the Forbidden City. And it so happened that the Imperial Government, "existing in an atmosphere laden with the oppressive odor of decay," according to progressive Englishmen of that time—it happened that this Government had to fight off the attacks of an Asiatic enemy before it could devote its attention to its Western guests again. The taipans got a respite which they could use to render their position impregnable. When the

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hurricane of the Boxer Rebellion came roaring down from Peking, nourished by the pent-up resentment of half a century, Shanghai was strong enough to weather it.

An inconspicuous little fellow with slanting eyes, high cheekbones, and with a skin that was slightly darker than that of the Chinese had come to Shanghai during the turbulent days of the Taiping War. No one would have paid any attention to him if it had not been for the ridiculous purpose of his visit. Whenever he mentioned that purpose, people laughed right into his brownish and very much embarrassed face; and, as nobody would give him more than a laugh, he was finally laughed out of town. He packed his neat little boxes and suitcases and went back across the Yellow Sea to Nagasaki where he had come from.

The purpose of his visit had been to fetch for Japan the same treaty rights which other powers already enjoyed. But if Peking had bowed to Western guns and bayonets, knowing full well that all white people stuck together, it did not see any necessity for bowing to the Japanese. Three more attempts were made by Japan during the next ten years, and they were all futile. Then, the Rising Sun appeared slowly above the eastern horizon, and long shadows fell on China.

Japan had been "opened up" by Commodore Perry ten years after the establishment of the British settlement at Shanghai. After the successful taming of China, the Empire of Japan was marked for the same reduction to semi-colonial conditions by the insatiable West. But, to everybody's surprise, the Japanese were in great haste to adopt the very gadgets China had refused to accept. The Japanese listened to the sound of Commodore Perry's big guns, then rubbed their eyes and mail-ordered a Western constitution, a Western banking system, a Western army, a parliament, a foreign policy. The same substance which had caused a deadly blood-

poisoning once it was injected into the system of China, proved a protective serum in the veins of Japan.

And now a youthful, completely reorganized nation of untested strength was looking across the narrow sea to the great emporium of Shanghai, asking for its share of the China trade. In 1869, when the first Japanese consul arrived at Shanghai, there were less than thirty Japanese residents in the city. Slowly, the big commercial houses in Tokyo and Osaka sent their representatives over. There was a Mitsui hong and a Mitsubishi hong, and the Nippon Yusen Kaisha opened a branch office. But the newcomers were by no means taipans. They did not handle too substantial a share of the Shanghai business, and they did not mingle with the white community. Two years later, when the Chinese finally signed a treaty with them, they did not grant them "extralivty," omitted the Most-Favored-Nation clause, and forbade the Japanese the bearing of arms. The treaty was concluded on the basis of strict equality, and the old Samurai pride of a young and pushing nation was badly hurt.

With keen interest, the taipans watched the conflict grow. Would it damage white superiority when Japan became stronger than China? Would it undermine the treaty foundations of the Settlement? On the contrary: new pressure on the Chinese Government was bound to weaken the Celestial Empire to the point where it would yield more privileges, more rights, more concessions. And, as an afterthought, the taipans pondered over the effects of a Japanese victory on Russia—Russia which was looming somewhere in the north, pushing its trade along camel-trodden caravan routes into the heart of China, to the disadvantage of the sea-going trade which made the taipans rich—Russia which threatened to creep down, to force the British Empire out of Shanghai and out of Hong Kong and out of India—Russia, the great unknown.

The cleavage between China and Japan grew deeper every day as the political maneuvers and intrigues of both governments centered around Korea. This peninsula, which formed the geographic link between both countries, was a political and cultural dependency of China. But while Peking strove to perpetuate its suzerainty, Tokyo clamored about the "dagger pointed at Japan's heart," and did all it could to undermine Chinese influence in Korea. By 1894, the conflict had reached a stage which excluded a peaceful settlement.

The taipans watched the Sino-Japanese war from the ring-side seat of the Settlement, and they were rather pleased with the performance. Japan was concentrating her military operations on Korea, where she wanted to create a buffer state between the Empires of the Mikado and the Czar, and her aggression was likely to do much harm to the governments of China and Russia. There was no fear of stray bullets in the Settlement, where Western firms were getting deeply involved in the ammunition trade. The only tense moment came when the British steamer *Kowshing*, on her way to Korea with a heavy cargo of Chinese soldiers, was halted and sunk by a Japanese warship shortly after she had pulled out of Shanghai. She had been under the command of British officers, and the affair looked very much like one of those incidents that start the ball rolling. . . . But Downing Street was quick to confirm Japan's belligerent rights, and no protest was forwarded. The Japanese Government, in return for so much indulgence, told the British envoy at Tokyo that Shanghai would be regarded as outside the zone of warlike operations. And Shanghai, the only safe spot in a world in turmoil, grew richer every day.

After China's defeat by Japan's well-disciplined forces, it seemed for a brief moment that Japan would extort from Peking all she wanted—which was more than the taipans

thought she should get. The triple intervention of Russia, Germany, and France, however, forced the Japanese to reconsider the peace treaty and to renounce a Japanese foothold on the Liaotung Peninsula, not so far from Peking. The danger of Japan's being the first to reap the fruits of China's collapse—this danger was forestalled. But she emerged as a powerful nation, having obtained "extraterritoriality," possession of Formosa, and Korea's independence from the Chinese Empire. The most important clause in her "unequal" treaty with the Forbidden City, however, was the liberty to establish *industries* in the treaty ports along the China coast.

Here was a new element, something the taipans simply hadn't thought of before. Shanghai, the great commercial emporium, had been built up on trade alone—trade with the vast interior of China, trade with the oceanic ports of distant continents. Factories? No one had ever considered them and, with the exception of some foreign-owned silk filatures, industrial production was completely unknown in the Settlement. Now, with Japan carving out a new set of rights, and with the taipan powers sharing them via the Most-Favored-Nation clause, the looms and spools and spindles were coming to Shanghai.

Perhaps it was not by mere accident that the British had forgotten to ask for the right to produce in Shanghai. Perhaps it was one of the features of British imperialism to conquer markets only and to leave the production to Lancashire. Keen British eyes had spied Shanghai at a time when "all the nations of Europe were straining every nerve to exclude the produce of English industry from their market," and the Shanghai scheme had been beneficial to British industries throughout. But now, with the Japanese forging ahead in this direction, the taipans discovered the fluffy cotton fields that were stretching for miles and miles around Shanghai. They discovered that the Chinese millions were

dressed in cotton, summer and winter, and that only the upper crust wore silk. They discovered that four-fifths of the nation's cotton goods were still produced inside the Chinaman's house, by the Chinaman's wife, with the help of a crude and obsolete hand loom. Lancashire? What care the taipans care?

Jardine's was one of the first to establish a cotton factory, the Ewo Mill, in Shanghai. Other firms that had been dealing in piece goods followed suit. Large reservoirs of Chinese and Japanese coal were in easy reach of Shanghai, Shanghai electricity was cheap, and the financing machinery of this big city was working smoothly. But, the greatest advantage of all, China's man power, the huge supply of hands and heads and hands that came down the Yangtze and down the coast—China's man power could be had for a song.

Downstream, in Yangtzepoo, the chimneys went up. As the Chinese family system, the sacred foundation for the world's most orderly society, broke down. The backwash of floods and famines and civil wars somewhere up in the interior, was pressed into the mills. Men left their homes to work in Shanghai's factories. Women were, without ceremony, emancipated. Young girls became a commercial asset, were no longer a burden on the household. And there were no laws to interfere with it, children were to work, too. The Chinese hands made money, in the grimy factories of Yangtzepoo. And they forgot to smile, in the grimy factories of Yangtzepoo. The first revolt of labor, the first strikes, the first shootings, were not far ahead. The Japanese victors had presented Shanghai with a strange gift: industrial proletariat.

Shanghai had become a market for British machinery in addition to Lancashire's textiles. As for Lancashire's textile sales, Shanghai's industrialization did not really interfere with their sales. The taipans, after all, were business men, and

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industrialists. Maybe they did not have the time to study the details of industrial production, maybe they did not like the grimy factories of Yangtzepoo. The Japanese suffered from no such deterrents, and the Japanese soon surpassed all other nationalities in the output of Shanghai-made goods. They were alert and enterprising, those little fellows from Japan, and the taipans thought it wouldn't be a bad idea to play their reconditioned nation against Russia, the next time.

And the taipans were proud of the way in which they were using their pawns so shrewdly to their own advantage. They were scheming to ensure the future of the Settlement, were planning far ahead. Not far enough ahead, perhaps; but this, surely, was not the taipans' fault.

CHAPTER V

Years of Fear

THE Municipal Council of Shanghai, acting within its authority, had raised the municipal tax on wheelbarrows from four hundred to six hundred *cash* a month. Wheelbarrows were used for the transportation of goods all over the Settlement and the native city. In Yangtzepoo, they were even used for the transportation of men and women—laborers on their way to the factories. They were cheap vehicles, and the wheelbarrow coolies never got rich. The increase in the license fee, although it equaled something like twenty cents in American currency, hit them hard. The wheelbarrow guild called a meeting and a strike was decided on.

The striking wheelbarrow men roamed the streets. They protested against the raised license fee, clamored for justice, threatened the police. There were serious disturbances, and the Council deemed it wise to ring the alarm bell and to call out the Volunteers. The American gunboat *Monocacy* and two British ships landed marines. Artillery detachments moved up their guns.

But the wheelbarrow men, who were still roaming the streets, threw stones on the German Company of the Shanghai Volunteers, which did night duty along Yunnan Road. They mobbed the police, and refused to return to their chores. Finally some five thousand of them who had gathered in the French Concession swept across the border line

into the Settlement. There they engaged troops and police in a regular battle which ended with their defeat. Two wheelbarrow men had been killed.

The next day, the Municipal Council announced that the collection of the new fees had been postponed for three months. The wheelbarrow guild was satisfied and the men returned to work. But—and this was the crucial point of the famous "Wheelbarrow Riot" of 1897—the taipans were not satisfied. An emergency meeting of the Ratepayers was called, and the leading members of the white community accused the Council of having yielded to force, of having bowed to the Chinese riffraff, and of having jeopardized white prestige which was the result of half a century's hard work. In their excitement, the taipans forced their Councilors to submit their resignation. Another, more aggressive Council was elected, which induced the wheelbarrow guild to agree to the increase. The White Man's face had been saved.

The Shanghai Volunteer Corps had been a decisive factor, not only in the military sense. These soldier-gentlemen had threatened to resign as a body if the community should yield to the coolies. The only historic case on record where an army offered its resignation.

The Wheelbarrow Riot was the last storm warning. A little later, the taipans would remember it. But in itself, the disturbance had not been serious. Shanghai, in the setting glory of the Nineteenth Century, was a gay, sanguine, optimistic community. And the little incident, which had cost the lives of no more than two humble wheelbarrow men, was soon forgotten.

They called it the Model Settlement, and a model it was, both in business and leisure. The China trade had been developed to amazing heights, netted rich and ever-flowing profits, and everyone was prosperous. Young griffins would

start their working day on the race course, exercising their Mongolian ponies in the fresh morning breeze before they went to work. And the taipans would leave their desks early in the afternoon to have a pleasant stroll along the Bund or a drink at the Club.

Naturally, amusements were limited, and the little community had to make the best of the facilities that it had created. There was no opera house, no theater with professional actors. But there were two standard entertainments which brightened the life of Shanghai in the gay nineties: the races and the garden concerts.

Track meets were held twice a year: the first week in May and the first week in November. Three full days were devoted to the big event, and the race course became the rendezvous for everybody who wanted to be seen. The taipans closed their offices, and the ladies had to have new dresses—three new dresses, one for each day. The Shanghai gentlemen appeared in their frock coats and high hats, and the Shanghai ladies in the placid colors, the soft, feminine styles of the time.

Every Shanghai gentleman owned ponies (Jardine's had the largest stable, of course), and a good many of them participated in the races. It was a strictly sporting affair: no jockeys were used, and if the Hongkong & Shanghai Banking Corporation came in last, it did not interfere with its prestige. There were no bookmakers, and one-fourth of the totalizator's income was used for the upkeep of the establishment. The great Shanghai sweepstake was the climax of the season.

The second standard entertainment were those band concerts in the Public Garden. The Garden was alluvial ground which had accumulated opposite the British Consulate, at the confluence of Soochow Creek and Whangpoo. The Shanghai community, which had a conspicuous sprinkling of

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bidden City and, after the Sino-Japanese War, had raised most of the forty-million-pound indemnity which China was obliged to pay. The bank had done much to stimulate the trade and port of Shanghai, and its vast credit with British banks at home served as a cushion in case of sudden emergencies. It was rumored that its management was an important factor behind the scenes whenever the foreign community negotiated for new privileges and new concessions with the Chinese Government. But as to its actual influence upon political decisions concerning the welfare of the British community, the taipans thought it "indiscreet to speculate."

Ewen Cameron himself, the second taipan, had had his share in the bank's development during the sixteen years he spent in the Shanghai office. He was from Inverness-shire, a heavy-set, red-faced man with a thick mustache, and was known for his courtesy, his tact, and his personal largesse. He left before the beginning of the new century, to become the London manager of the bank.

Who were the men who built the great city of Shanghai; what were they like; and what was their business?

Jardine, Matheson & Co. had preserved its position as Shanghai's Number One hong. Its taipan, William Keswick, resided in London, however, where he could serve the interests of his firm and of the Shanghai community better than he could have from his office on the Bund. The Keswicks were a dynasty of sturdy, efficient Scotchmen, reaching back to the old Canton factory days, and linked with the house of Jardine's at an early date. One of them, J. J. Keswick, would come to Shanghai once in a while to look after things himself. But, normally, E. F. Alford was able to discharge the duties of a Jardine taipan without the need of interference by the high command.

One of the more colorful British merchants of the time

who had grown up in the service of Jardine's was James McKie, from Renfrewshire. He had come out to China in 1879, as a specialist in the piece-goods business, and he served the firm for thirty years. The peculiar *éclat* of his personality vitalized a good many gatherings, both in the realms of business and entertainment. He was, at one time, president of the Shanghai Country Club, and excelled in all sorts of athletics. His walking competitions enjoyed a doubtful popularity. But his amazing spontaneity and his entertaining ideas helped the taipans to get over more than one dull spot in the community life of their city.

A pioneer taipan, who was no longer active in business, was Archibald Little. He had come out in 1859, when the Suez Canal was still in the making, and, as he had been a student at the University of Berlin, was given the job of a tea taster with one of the German firms in Canton. When the Taiping rebellion paralyzed business all along the China coast, Mr. Little had ventured into the interior. He had bought tea and silk and had talked to the people. His contacts were not always very satisfactory: once, in Hankow, he had been attacked by a mob and knocked to the ground. But he had learned much about China and the Chinese. Later, in Shanghai, he had founded the firm of Latimer, Little & Co., and had been made a member of the Municipal Council. His connections with the hinterland had proved valuable after all: he had been the first to open mines in Szechuan, and he had helped establish a regular steamer service along the upper Yangtze. Taipan Little was an old man, by now, spending most of his time going through his notes, and writing books on China. His wife was engaged in a none too successful campaign against the Chinese habit of footbinding, and both were well liked by the taipans.

R. Baugh ("Dicky") Allen was another highly popular taipan. Although he was in charge of Caldbeck, MacGregor:

Wine, Spirit, Ale and Stout Merchants, his business had not always been thus spirited. He also had come out as a tea taster, for one of the old Foochow firms, and his profession, then, was by no means unimportant: there was always fear that the clever Chinese would mix willow leaves or used tea leaves or other "rubbish" with the export tea, and it would have been embarrassing to discover that peculiar flavor *after* the shipment had been made. Now, Dicky Allen provided the taipans with all they needed for their parties. Besides, he was known as a music enthusiast, and he was one of the founders of the Chamber Music Society. He did not consider it below his dignity as a taipan to play parts in the performances of the Amateur Dramatic Club, and he was loved and feared as one of the Settlement's most formidable raconteurs.

Another of the old hands still living at that time was W. G. ("Willie") Bayne, an insurance man. He served as secretary of the Race Club, as president of the Dramatic Club, and took an active interest in city politics. But it was risky to invite Willie Bayne for dinner: it was absolutely certain that he would make a speech as soon as the coffee was served.

Neither Dicky Allen nor Willie Bayne could compare with that most fearful of all the orators, old man Dent. There was not a single congregation, a Ratepayers' Meeting, a banquet, a business conference, without a long, fervent, very trying lecture by Mr. Dent. He was a curious fellow and, although no one took him too seriously, few of the taipans could help liking him. He wore a stubborn little beard and long, flowing hair. He was, on principle, against anything the Municipal Council would decide, and there was no hope of ever convincing him. Both foreigners and taipans knew him well. All newcomers had to meet him, and he was a famous sight when he stalked along the Maloo with his son

both with grave faces, long, flowing hair, and those stubborn little beards.

But the house of Dent & Co. had lost its prominent position. It was no longer the mighty rival of Jardine, Matheson. Another firm had come into being which was to compete with Jardine's at close quarters: Butterfield & Swire. It had a strong hold on the Bund, and its business connections were spread all over the Orient. Under the able leadership of John Swire and John Swire, both of whom resided in London, the firm had squarely established itself in the shipping and port business of the port. One of the items that accounted for heavy profits was sugar, imported by "Butterswire" from Java and India into China. J. C. Bois and A. Wright were the firm's taipans at Shanghai. The house was so distinctly Scotch that Englishmen were said to have scarcely a chance of getting far in the organization.

The ancient firm of Hall & Holtz, bakers, had become the Hall & Holtz, Ltd.: Provision Importers, Stationers, Wine Merchants, Furniture Manufacturers, Jewelers, Drapers, Tailors, Upholsterers, Furnishers, Bakers. They had a large store on Nanking Road, and W. Hayward was their taipan.

In close competition with them was the younger firm of Macneil, Crawford & Co., Grocers, Tailors, Drapers, Milliners, Slip Chandlers—but *not* bakers. Holliday, Wise & Co. was still there, with Cecil W. Holliday in the taipan's office. The firm of Gibb, Livingston had expanded its business to take in all sorts of insurance, real estate, and several steamship lines.

E. Jenner Hogg, another old-timer, now gave most of his time to the Shanghai Gas Company, of which he was the chairman. The Hoggs, staunch Scotchmen, had originally come out to join the firm of Lindsay & Co. and thus were, to speak, descendants of the East India Company in the third generation. William Hogg had been the first consul for

A. Thomas, who had come out in 1897 for the American Tobacco Company. He immediately embarked upon a scheme of extensive market research, traveling widely over China and studying the methods which might bring American cigarettes within the reach of China's ragged millions. Very soon he found that it would be desirable to have no exchange operations involved in the transaction; it was his idea to bring out small packs of cigarettes which could be bought for one or two *cash*, the smallest coins in use. Soon the Chinese market was swamped with packages containing five American-made cigarettes, and the experiment was successful. The American Tobacco Company (which soon after this merged with British interests) opened thousands of small stores all over the country. It had no compradore—just a few young Chinamen to take care of the money. And the money came in, a steady stream of brass coins which, piled upon each other, turned into shiny silver dollars.

It so happened that the consumption of opium was waning at that time, and there were people who accused Thomas and his company of exploiting the Chinaman's desire for a stimulant by simply substituting nicotine for the drug. The Americans promptly hired a Chinese professor of history who, after two years of study and research, arrived at the conclusion that Chinamen had smoked pipes back in the Fifteenth Century. . . . Thomas, who was said to be the most highly paid American in the Far East, had given convincing proof that he was worth his salt. Besides, he was one of the Settlement's most colorful characters, and one of its famous hosts. His home was open to anyone who cared to come; his office on Nanking Road, in a building that belonged to Jardine's, had taken its place among the Settlement's most reputable hong's. Only occasionally, Thomas liked to embarrass his guests by expressing his astonishment at the fact

that "all those Scotchmen" had ever let him come ashore Shanghai.

The consulates, no longer the political center of grav had come to be the focal point of the little communi social life. The Comte de Bezaure, French Consul Gene lent Shanghai a touch of old-world aristocracy, and his ir tations were much sought after. Many of the ladies went the "Parisian Hair Dressing Saloon," at No. 19, Nank Road, the morning before his parties, to be sure to h their coiffures approved by the distinguished host. T American community depended on John Goodnow for dip matic protection; Germany was represented by Legatic rath Dr. E. Stuebel, and Russia by P. A. Dmitversky.

But most prominent among the officials of the day v Sir Nicholas J. Hannen, Judge of Her Majesty's Supre Court for China and Japan. The Judge gained practica continent-wide fame when he decided, as chosen arbiter, celebrated case of the Siamese Government versus one M Cheak, a merchant-missionary from North Carolina. M Cheak held extensive timber concessions in the north of Sia owned a herd of three or four hundred elephants wh dragged the precious teak logs to the river to be float down to Bangkok. The Siamese Government was jeal of Mr. Cheak, whose revenue threatened to grow larger th that of the royal family; there was a quarrel, and much Mr. Cheak's property had been confiscated. The part agreed on Judge Hannen as an arbiter, who heard the ca in Shanghai, for six weeks. His verdict was that Mr. Che was right and that the Siamese were wrong—and the Wh Man had won another skirmish.

Alligators had come up to Shanghai again, for the first ti in many years. The superstitious Chinese nudged each otl and whispered that this was a sign given by the gods: t

white devils had lost their command over the sacred waters of China. But the Shanghai ladies and gentlemen thought that the coming of the ugly, mud-colored animals was no more than a freak of nature, and were amused. For the White Man ruled the waters, and the White Man ruled the land.

It looked so permanent—Shanghai, at the end of the Nineteenth Century. The muddy flat had become a prosperous community, colonial and rather British in its temperament and attitudes. The wave of optimism and good cheer that seemed to caress the world before the parting of the century had reached these distant shores, and Shanghai had its share. Only rarely, one of the Settlement's born pessimists ventured to raise his voice and to predict calamity and doom. "In their hearts this ancient and persistent people regard us steadily as so many temporary intruders," the pessimists would say; they pointed to the unpleasant fact that many of the old Chinese families, on whose property the Settlement now sprawled, had retained their ancient title-deeds and were calmly waiting to re-occupy their land as soon as the unwelcome guests had passed on, not unlike a swarm of locusts.

Nay, there were incurable alarmists who openly declared that the presence of the White Man "in an uncongenial climate and in a land which he can never hope to make his home and the home of his posterity, will be no longer called for; nor, handicapped as we are by our more expensive manner of living, and the practical impossibility of acquiring that knowledge of the language and habits of the people without which we must inevitably succumb in the struggle for supremacy—is it in the nature of things that our hold on the country should continue permanent?"

These sinister prophets—a minority, to be sure—advocated a policy of amalgamating the White Man's interests with the interests of the Chinese, in order to find a "modus vivendi."

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"At present our only policy is trying to stem the tide so long as we stick to that policy only, so certain is it when the change does come, it will swamp us." As to exact nature of that change, the prophets were extremely vague, however, and their forecasts produced hardly more than a laugh. The majority preferred to "stem the tide" rather than to try "amalgamation," and unbridled optimism continued to rule supreme.

"There is absolutely no fear that we shall ever be turned out of Shanghai by any demand from below," said the *New China Daily News* in one of its boldest editorials. "We made a great mistake and do ourselves actual harm if we seem to think that we are here only on sufferance. Some of the children who now play about in the Public Garden will be here to celebrate Shanghai's centenary. . . . Every year confirms the most sanguine expectations of the great foreign city that Shanghai will be in 1943."

The Forbidden City was weakened by the Japanese war was time to take advantage of its weakness. Shanghai had manifest destiny, and this destiny was to profit; to profit from wars and floods and revolutions and catastrophes, and profit by peace; to cover up the shocking convulsions of a great nation in ferment, to cover them up with an impressive front, and to grow. In the last year of the waning century the taipans approached Imperial Peking with a request. The request was granted, and the International Settlement, which had embraced less than three square miles, was nearly doubled in size. Its new (and final) territory amounted to eight and a half square miles, and the grimy factories of Yangtze were in. The new waterfront, stretching along the curving Whangpoo further than you could see from the Bund was seven and a half miles long.

But soon after, posters were being slapped again against

mud walls Posters all over the Yangtze Valley, posters in filthy little hamlets, posters in crowded cities. They all showed white missionaries, vivisecting Chinese children, cutting them to pieces, or just stealing them Trouble was brewing along the Yangtze again, and the taipans had heard of violent outbreaks, the demolition of churches, the looting of homes, the murder of white men. Missionaries had come fleeing into the Settlement with stories too horrible to believe.

The reports which poured into the new, aggrandized Settlement continued to alarm the taipans. Suddenly, the anti-foreign movement seemed to be universal. Christian Chinese ("Secondary Devils") were tortured and murdered by their compatriots; secret societies whose aim was the extinction of all white men, had sprung up all over the country. Foreigners were ruthlessly massacred in many places in the interior. The faint rumbling had grown into a deafening noise again.

The taipans realized that this was more serious than any of the previous outbreaks. China, knocked down by the cocky Japanese, pressed for bigger and better concessions by the Western powers who just at that time considered China's partition into "spheres of influence"—China seemed to have rallied to shake off her ravenous parasites. The taipans were scared. But they had not lost their sense of humor, and when Peking sent the President of the Ministry of War to Shanghai, as High Commissioner for the investigation of affairs in Kiangsu Province, the Shanghai papers greeted him as "Lord High Extortioner" and made fun of his mission which aimed at raising the provincial revenues for the benefit of the Forbidden City.

Word got back to Peking that the taipans had not lost their sense of humor.

It was then that a secret society called the "Boxers" rose

to sudden prominence in Shantung Province, half-way between Shanghai and Peking. Fanatic peasant sons, who dubbed themselves the "fists of patriotic union" and concealed the true purpose of their organization behind harmless front of a boxing and gymnastics club, advanced under the slogan "Preserve the dynasty. Exterminate the eigners." The members of the society underwent strange initiation rites which made them invulnerable to spears, swords and bullets. They raided a few missions, killed a few foreigners and found, to their surprise, that the local mandarins were openly sympathetic with their methods.

Not only the local mandarins. Inside the Forbidden City, beneath the golden roofs and the flourishing gables, sat one of the most remarkable women China has produced. This woman, who had been humiliated and ridiculed, sneered at by the foreign devils, thought that the Boers were right and that they should be encouraged. Tzu-hsi, the formidable Empress Dowager, sent word to the Boers to go ahead and commit more murders.

Tzu-hsi was in the zenith of her unusual career. During the reigns of several emperors, she had ruled the Forbidden City single-handed and with brutal stubbornness. She eliminated everyone who dared to contradict, and emperors, mandarins, advisers, had been the victims of her capriciousness. With poison, plots, favors and conspiracies, the "old dragon" had preserved the substance of the Empire. It was her ruthless, uncompromising personality that prolonged the life of the Manchu dynasty. The fifty years during which she held the whip in the Forbidden City, the empire lived.

And now, with the Japanese resting on the laurels of their victory, Tzu-hsi decided to turn against the Foreign Devils, the white men whom she hated with a fervent hatred. She thought that the moment had come to drive the white men into the ocean. She talked it over with the Emperor

when he appeared lukewarm and irresolute, forced him to abdicate. Then, she put herself at the head of the anti-foreign movement and made the Boxers her friends and allies. The movement, at last, had found its dynamo.

Incredible stories of murders, massacres, arson, and tortures were brought into Shanghai. A storm of unprecedented violence seemed about to burst. The Boxers were drawing nearer to Peking, and the diplomatic body was cut off from communications with Shanghai. Reinforcements had been ordered up from Tientsin to defend the legation quarters against the advancing hordes whose Imperial ally in the Forbidden City had signed an edict—"Whenever you meet a foreigner you must kill him."

Fear gripped the taipans. What if the Boxer movement spread to Shanghai? If anti-foreign riots sprang up in the crowded Chinese quarters of the Settlement? There was only the Volunteer Corps and the police to guard the foreign community. And those who understood the language of the people were shocked to hear their coolies and "boys" speak of the Day of Reckoning, and of the massacre that would end every white man's life.

Those were gloomy days for the Settlement, and gloomy days for the Settlement's trade. The general unrest in the interior had stopped the flow of merchandise that was the lifeblood of Shanghai, and, once more, the taipans' confidence was shaken. When rumors told of the capture of Peking, of the destruction of the legations there and of the wholesale murder of the diplomatic body, the end seemed to have come.

But Kuan Ti, the god of war and peace, looked down upon Shanghai and found that it was not yet big enough to make its destruction worth his while. So he sent Admiral Seymour, of the British Navy, to take the defense of the Settlement in his hands. The Admiral did a splendid job

of organization, and he even gave those white men who lived in the suburbs rockets and flags with which to give the signal in case of a surprise attack. Mounted Sikhs patrolled the streets and the taipans felt slightly better. They felt much better when three thousand Indian troops arrived from British Hong Kong. The French landed a hundred sailors and a hundred and fifty Annamese *tirailleurs* for the protection of their Concession, and more troops poured into the Settlements.

The outside world, meanwhile, depended upon Shanghai for all reports on the crisis in the north. When the first patches of the Peking "massacre" came through, London newspapers appointed special correspondents in Shanghai, without asking many questions about their reliability. They cabled for details. This situation gave Shanghai a reputation as a city of liars, all over the world; for the newly appointed special correspondents felt obliged to make up stories when there was no access to facts concerning the siege of Peking. One of them, the special correspondent of the *Daily Mail*, depicting the "last battle" of the foreigners in the British Legation building in Peking, gave rein to his imagination.

"Towards sunrise it was evident that the ammunition of the allies was running out and at 7 o'clock, as the advance of the Chinese in force failed to draw a response, it was once clear that it was at length completely exhausted. A decision was determined upon.

"Thus standing together, as the sun rose fully, the last remaining band, all Europeans, met death stubbornly. There was a desperate hand-to-hand encounter. The Chinese killed heavily, but as one man fell others advanced, and finally overcome by overwhelming odds, every one of the Europeans was put to the sword in a most atrocious manner."

This account of a massacre that never occurred was printed, without comment, by the *London Times*. It has since have spurred the allied forces on the expedition to Peking.

A formidable army, consisting of twenty thousand men, had left Tientsin for the Imperial capital. One half of the troops was made up of Japanese. There were some five thousand Russians, some three thousand British Indian soldiers, and two thousand five hundred Americans; the remainder were French, Austrian and Italian detachments.

Shanghai followed the communiqués of their progress with tense excitement. There was a set-back when the Russians appeared to be going on an adventure of their own, and there was joy when word got through that the armies had reached the gates of Peking. The American community was proud to learn that it had been a Yankee drummer boy who first climbed the high wall and helped some of the soldiers to climb up behind him on his drum strings. But while Americans had been the first to enter the Chinese city of the capital, the British force had first penetrated into the Tartar city where the legations were besieged. The Japanese seemed to get the worst of it—they had been in heavy fighting at one of the gates. But the besieged foreigners were still alive, and a tension that had lasted two months was ended.

Peking was relieved, and so was Shanghai. When the tai-pans learned that the Imperial Court had fled to Sian-fu, a solemn thanksgiving service was held in the English Cathedral in the Settlement.

But the blood of white men had been spilled: one of the diplomats, the German Minister, Baron von Kettler, had been murdered in Peking. The Germans had decided on a punitive expedition, which was all right with the other tai-pan powers: the Boxer "Rebellion" was still alive, and Shanghai was not safe as long as an anti-foreign movement was afoot.

It was a great day for the Settlement when Count von Waldersee landed in Shanghai, carrying the baton which

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the Kaiser had presented to him. With him arrived seven thousand German regulars who had come to "take prisoners." On a bright September day, the Count reviewed his international force on the Race Course, in the heart of the Settlement. A motley crowd had come to muster: Rajputs, Sikhs, Baluchis and Ghurkas from British India; the Shanghai Volunteer Corps with its Light Horse Brigade and artillery companies A and B; the French Mountain Battery, the Shanghai Customs Company, and the Bombay Cavalry. Annamites from French Indo-China and German, Japanese and French companies. A great day for the Settlement, indeed. And the taipans smiled at the guns and glittering bayonets and felt secure. The Twentieth Century had started with a bang.

CHAPTER VI

Half the China Trade

SHANGHAI remained an armed camp until the final victory was achieved, the "Rebellion" quelled, and the Boxer Protocol with its immense indemnities signed and ratified. Shanghai, the city with nine lives, soon recovered from the shock and the depression of the Boxer War. Its trade was worth a hundred million taels a year, and its taipans were more confident than ever. China had made one last effort to shake off the foreign parasites: there was no fear of a repetition.

Under the impact of a new century and of a new prosperity, the picture of Shanghai began to change. The Municipal Council accepted the tramway tender of a British company, and the first street cars were soon rattling through the Settlement, to the amazement of the coolies who connected the mysterious electric power with the influence of some evil spirits but who soon crowded into the cars by the hundreds. The first motorcars, two Oldsmobiles, were brought into Shanghai, and the Chinese ran away.

A residential district had gone up along Bubbling Well Road, where prosperous taipans had built their villas, enjoying flower beds and green trees which had disappeared from the business sections downtown during the boom years of the Taiping War. The only thing that troubled them out on Bubbling Well Road was the mosquitoes, which were

attracted by the verdure and which made the hot summer nights uncomfortable. But there were still some of the old Chinese farms and cottages left in that neighborhood; and there were lakes which were white and pink with royal lotus flowers. In public gardens, Chinese sweets and cookies were served, with the inevitable green tea. And the wealthy Chinese who came out there on sunny afternoons were viewed with much curiosity by the taipans and their families. "Celestial beauties drive along this road," said Reverend Darwent, Minister of Union Church, in his *Handbook for Travellers and Residents*, "arrayed in splendid silks and satins, got up in the height of Chinese fashion."

Downtown, along the majestic Bund, modern business buildings had been erected. The Hongkong & Shanghai Banking Corporation was No. 12, The Bund, the *North China Daily News* was No. 17, and the Yokohama Specie Bank was No. 31. Jardine's and Dent's were the only original hongts that had survived. The Chinese were now represented with several highly respectable firms. The Shansi bankers—all Chinese bankers were from Shansi Province, where people had used checks for the last five hundred years—had opened their establishments in the safety zone of the Settlement and had their slice of the pie.

Office hours were still from ten to three, and in the afternoon, around four o'clock, Chinese and foreigners might have taken a walk to the Mixed Court to watch the Chinese prisoners being flogged or wearing the "cangue," the heavy wooden collar which was often chained to a post so that the prisoners could not sit down without strangling themselves. There were many things to see in Shanghai; occasional globe-trotters who dropped in on a trip to these distant shores returned to give their friends glowing accounts.

There was peace in China, and Shanghai profited by the peace just as it had profited by war and revolution. Down

the mighty Yangtze, sixteen hundred miles of navigable stream, came the heavy junks with the produce of an immense hinterland. In the densely populated provinces up-river, in the crowded cities, the busy villages, in the open plains and in the hidden valleys, along the big river and along the small rivers and canals, two hundred million people were peaceably living their Asiatic lives. Half of China's entire population, one-tenth of mankind, was crammed together in the Yangtze Valley. And they sent their silk and their tea and their cotton and their beans and their grains and ground nuts and eggs and hides down the river. And Shanghai sat there, just above the mouth of the river, and stored all these riches in its godowns, piled them up on its piers, shipped them across the ocean, and levied its share.

And from the ports of America and Europe, the ships came back filled to the brims of their hatches. By some geographical quirk, Shanghai was situated right in the center of the new communication system of the globe, equally distant from Liverpool and New York. International shipping lines had made Shanghai their foremost port of call in the China Seas, and the manufactured goods of distant lands were unloaded on the piers of the Settlement, transshipped into sturdy Chinese junks, and moved up the mighty Yangtze into the remoteness of the provinces. Slowly, against the swift current of the stream, the junks moved on, paddled by the tireless feet of boatmen, or pulled, along the narrow towing path on shore, by herds of naked coolies. They were the "pigs." Stamping along, slowly, covered with sweat and mud, their backs parallel to the ground, they pulled the freight far up into the sacred entrails of their Celestial country. They pulled it up to the forgotten villages that were clinging to the steep banks of the river, rotting away under the filth and the poverty of centuries—up to the rapids of the Wind Box Gorge and the Ox Liver Gorge, where the

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waters rose and fell a hundred feet within a day, and where all-powerful dragons and wizards still lived in shimmering palaces below the rocks.

Whenever they moved, these dragons and wizards, the floods and whirlpools would suck in the junks, boatmen and all. But they did not move too often, and the heavy ships passed through the tortuous gorges, dumped their cargo sixteen hundred miles above Shanghai—a year, maybe, after they had seen the Bund disappear in the haze above the horizon. And another herd of coolies might have picked it up again, carried it deeper into the heart of Asia, where the Yangtze was called the Golden Sand River, and where its youthful waters, tumbling down from the snowy peaks of Tibet, defied the most skillful navigator. Wang-ye, the great river god of the west, ruled supreme up here, and he protected the distant sources of the stream, three thousand miles above Shanghai.

Shanghai was sitting by the river mouth, where the yellow flood came down in majestic grandeur, tired from the run through three thousand miles of Asiatic earth. The city had begun to drain the Yangtze Valley with its boundless wealth, had begun to do business with two hundred million Chinamen—most of whom had never heard its name. They were half the people of China; and half the China trade, year after year, was flowing through the International Settlement of Shanghai. The Shanghai scheme, ingeniously conceived in the days of Palmerston, had begun to work.

It was a racket, if you will, the greatest and most profitable racket ever devised by men. Its basic idea was that of draining half a continent without more effort than the upkeep of a single city required. But the racket itself was more interesting and more complex than this. There were subdivisions of the racket, and one of them, for example, was

the silk racket. Raw silk, the "noble commodity" in the Shanghai jargon, remained one of the most important items on the export list. But the noble commodity was secured by clever Shanghai buyers in a fashion which was anything but noble. This is how it worked:

Markets, where Chinese farmers gathered to submit their cocoons, were located in the silk districts, all over the countryside of the Yangtze delta, not far from Shanghai. Here, the compradores of foreign firms met the farmers after the spring crop of cocoons had been collected, usually between May 15th and June 5th. Within seven or ten days, the spring crop had to be sold. If the farmers had been able to hold back with their product, to wait for a better turn in the market situation, to bargain with their customers, they could have made their price. But they had been cheated out of their bargaining position by a monopoly system which concentrated drying facilities in the hands of a few privileged brokers. Drying ovens represented a considerable investment, and the farmers could not afford to build them. Even if they could have collected enough capital, the powerful brokers with their vested interests would have bribed the officials who were in charge of licenses.

Now, silk cocoons are delicate things. They are still alive, after all, and if you do not watch them, the moth may break through its precious coat and spoil the thread forever. The Chinamen, in other words, who took their crops to the market place, had to sell them quickly. They could not wait more than a week, and they had to accept any price the brokers and compradores would offer. This system, with all its vicious implications, proved more powerful than any humanitarian efforts to improve the lot of China's silk-producing farmers.

Thus, the compradores left Shanghai with a big smile every spring, when their coolies carried them out to the

market place in comfortable sedan chairs. Along with the buying season, there was a heavy flow of silver out of Shanghai, which affected the money market of the Settlement with watchlike regularity every May. Boxes containing five thousand silver dollars each were shipped, under heavy protection, to the silk markets in advance of the transactions, and there were years when as much as seventy-five million Chinese dollars were thus transferred into Kiangsu, Anhwei and Chekiang within a fortnight. Shanghai taipans were not worried; they knew that, by sheer gravitation, the metal would flow back into the city by the river mouth.

When the compradores came back to town, the taipans would see their smiles and pat them on the back. Every foreign firm that was in the silk business—as, indeed, most firms that were engaged in other lines of the Shanghai trade—had a comprador. They had to use that Portuguese word because there was no institution in their own world that could compare to the system. Taipans did not speak Chinese, and it was both socially and technically impossible to do business with the Chinamen, directly. So they hired a comprador, a Chinese gentleman of good standing in his community, a business man or banker himself. His duties would vary, according to the business methods of his foreign employer. In most cases, however, he would have to maintain his own Chinese staff and to guarantee the honesty of each of its members. In fact, he would have to put up a sizeable security, in cash, to implement this guarantee. His account would be kept in both English and Chinese, and he would be paid a fixed salary, covering his services, his expenses in entertaining customers, maintaining his staff, and traveling around the countryside. There would be a commission on each actual business deal besides, and the comprador would be well supported. He would look contented and slightly fat, and it would be quite a sight when he stepped into the

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taipan's office, with his long gown of blue silk, and the loosely fitting black cap on his shaven head.

They were a wonderful invention, those compradores. They went to see the White Man's customer and talked turkey with him, leisurely, over a cup of green tea. They bought and sold and even made payments in behalf of the White Man—their "compradore orders" were as good as money, or even better. They bridged the terrific gap that yawned between the taipans and the Chinamen. And they formed a distinct little group among themselves, living on the fat margin of the White Man's going concern, and growing fat themselves.

The compradores (to return to the silk racket) would see to it that the noble commodity would reach Shanghai in due time, would be stored in the company's godowns, and would be graded according to its quality, to leave Shanghai for Europe or America as "Factory chop," "Double Eagle chop," "Three Dancers chop," "Triton chop," or "Inferior chop." But part of it would remain in Shanghai and be turned into the most luxurious, most overwhelming fantasy in silk there ever was. It was a product of China, and it was meant to be used in China and by Chinese—white ladies would dress in imported material. But Chinese girls and women would spend whole afternoons in Shanghai's silk streets, move from store to store, and linger over glittering dreams in white, yellow, green, lotus-pink and peacock-blue. They would lightly brush over the silks with shy and foolish fingers, and it would be one of this world's most delicate joys to look at both: the ladies and the silk.

Silk accounted for one-third of Shanghai's exports, and handling silk was profitable business indeed. But the silk racket on the export side was still matched by the opium racket on the import side. In those early years of the Twentieth Cen-

tury, forty million Chinese dollars' worth of opium was shipped into China through the port of Shanghai year after year. Over fifteen hundred opium houses—dingy dens with mattresses and cushions for the customers—were counted in Shanghai, and nearly eighty shops in which the crude drug was sold, openly. Finally, under pressure from the Chinese Government and public opinion abroad, especially in the United States, all opium houses were closed within the International Settlement. But this measure only resulted in the opening of more shops, and people would smoke at home instead of public dens. The International Opium Conference, which was held at Shanghai in 1909, following an American suggestion, did not remedy the situation. And when Chinese authorities tried to induce the Municipal Council to persecute individual addicts, the taipans retorted that this would be "incompatible with principles of individual liberty in the Western sense of the word."

But the British Government had solemnly agreed to reducing opium imports, and opium stocks in Shanghai began to represent a very considerable value. With the stoppage of fresh supplies in sight, the Council sold more and more opium licenses, for stocks on hand had to be disposed of anyway. The leading houses, David Sassoon & Co., E. D. Sassoon, S. J. David, and Edward Ezra, which had accumulated immense fortunes, thought of a method which would enable them to take full advantage of the opium shortage that was bound to come. They talked it over with other firms in the business with the sweet smell, and emerged with the Shanghai Opium Merchants' Combine.

The idea, as in many Shanghai ventures, was a monopoly. The managing committee of the Combine, consisting of D. E. J. Abraham, Evelyn David, E. Nissim, Edward Ezra, B. D. Tata, R. D. Katania, Sagal Thaver, Simon A. Levy, B. C. Sethna, B. H. Dastur, F. Dewjee, E. Chandoobhoyand

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and R. Bagoria, signed an agreement with the Chinese opium guild. The guild was willing to recognize the Combine's monopoly, to buy its certified Indian and Persian opium exclusively, and to work hand in glove with the foreign merchants. At the same time, the Combine made a deal with the provincial officials of the surrounding countryside, introducing opium on a big scale—for a handsome "squeeze." Thus, with the Combine importing the drug, and with the guild distributing it, the vice was brought up to new standards and new proportions a few years before opium ports were to stop.

The Chinese Government, angry in the extreme, bought the entire stocks of the Combine for fourteen million Chinese dollars and burned it in Pootung, in full view of the Shanghai Bund. But not long after, when the war lords had come to power, opium was back in vogue again, sold in the streets of Shanghai's native city and swelling the war coffers of the generals.

The trade of Shanghai had grown by four hundred per cent between 1880 and 1910. Roughly one-third of the imports were supplied by Greater Britain which took, in turn, one-fifth of the exports. True, the United States and nearby Japan were enjoying their substantial shares of the Shanghai trade, each covering more than one-tenth with their respective goods. But Britain set the pace in the Shanghai trade as she was setting the pace in Shanghai's "private" life. The five thousand British subjects who made a living in the Settlement were more important a group than the thousand natives.

The weakness of the Manchu Government, which had received a death blow with the collapse of the Boxer uprising, greatly stimulated British initiative. The stubborn presence, which had hemmed in the Settlement since the days of

its babyhood, relaxed most pleasantly. The time had come for British enterprise to make Shanghai the base for a more extensive penetration of the Chinese countryside. The humiliation which had followed the first abortive railway enterprise had not been forgotten by the taipans, and they decided that the time had come to push ahead with "Western ideas." The Forbidden City, so enfeebled in power, would hardly be able to protest.

It was a great day when, in 1905, the first passenger train of the Shanghai-Nanking railroad, carrying a party of distinguished Chinese and foreigners, pulled out of Shanghai toward the northwest. There was a formal reception by the Chinese authorities at Nanzhang, the provisional terminus, and congratulatory addresses were made.

But this was more than just a railway. The enterprise had been financed by British capital—China never had enough cash for luxuries—under most auspicious conditions. The powerful Hongkong & Shanghai Banking Corporation, anxious to sink more British capital into China's fertile mud, had joined hands with Jardine's. Between them, they formed the British and Chinese Corporation, Ltd., a company with an awkward name but with impressive backing—the backing, in fact, of the British Government, which favored the British and Chinese Corporation with its support to the exclusion of all other firms in the field.

The new corporation advanced three successive loans to the Chinese authorities for the purpose of constructing railroads. The Shanghai-Nanking, the Hong Kong-Canton, and the Neuchwang-Chinwangtao links were built under its direction and, while the lines, naturally, were Chinese property, they served as security for the British money that had been advanced for their construction. The scheme was not much less profitable and not much less clever than the silk and opium rackets, for the lines remained under the supervision

of a mixed board of directors, with a British chief engineer in charge of operations and with vast profits to cover interests and principal. When the Shanghai-Nanking line was finished, the company bought the ill-fated Woosung Road back from the Chinese, paying one hundred and twenty-five thousand pounds for it and attaching it, as a branch, to the main track. The taipans had won the last round.

The Shanghai scheme was working full blast, and the taipans could fatten their bank accounts. There was the silk boom, and the opium boom, and the railway boom, and even a rubber boom—although there was no rubber. The rubber boom lasted only six months, but millions of pounds were invested in Malayan rubber shares, thirty-five local rubber companies entered the stock exchange and, when the balloon exploded after having floated in the blue Shanghai sky for a while, some of the largest Chinese banks had to close their doors.

There was money in Shanghai, and this Shanghai money wasn't allowed to go stale. New buildings went up, among them the splendid new structure of the Shanghai Club at No. 3, The Bund, which was anchored in the Shanghai mud with a huge concrete raft, the first ever used. Some of the more conservative taipans had preferred the old Club building with its cozy porch by the river, where one could sit and see the junks go by. But they all liked the massive façade of the new one, with its Greek columns.

Along Maloo, the Great Horse Road, which became Nanking Road, the first Chinese department stores were built—imposing concrete structures with four or five stories, filled with dazzling displays of Chinese and foreign goods, and with Chinese hotels and restaurants in the top floors. The Chinese liked the idea of buying there, and Sincere's had to charge an admission fee to keep the sightseers out. The last of the old-fashioned hongks, Dent's, was finally torn down,

to modernize the Bund skyline. And along the white way Nanking Road, the Shanghai gentlemen would sit on wa afternoons, sipping their tea in one of the comfortable houses, and watch the traffic.

Sitting there in the verandas of Nanking Road, on a November day in 1911, the taipans were confronted with a startling sight: the entire street, from Bund to Race Course, had been turned into an ocean of flags—white flags, made out of gowns or towels, fluttering lustily in the autumn breeze. And the taipans knew that the flags could only mean one thing: Shanghai had joined the revolution. The Shanghai Chinese, a sober group of traders, had decided to denounce the Manchu Government and to cast their lot with the republicans, without a fight.

The white flags were the only outward sign of the event which ended three or four millennia of dynastic rule in favor of a republican form of government—a thing as new to China as railways. Grave questions concerning the future fate of Shanghai came to the taipans' minds. Until now, they had been able to buttress the Settlement's security through "diplomatic pressure" upon Peking. For seven decades, they had pleaded, argued, wrangled and fought with the Forbidden City; they had denounced the decadent dynasty and often, hoped for its downfall. But all the time, they had been dealing with a known quantity—the Dragon Throne. What was going to take its place?

A motley array of natural and political forces had hastened the end. For nearly three hundred years, the Manchuk emperors had ruled their vast realm as a foreign race, had garrisoned Manchu regiments in Chinese cities, had given high offices to Manchu dignitaries, and had maintained an arrogant, lazy, and utterly corrupt officialdom. When the Chinese had grown restive, they had answered with no

oppression or with the promise of reforms in the fields of justice, finance, education and administration—reforms that were never carried out. The fact that dealt the final blow to the Manchus' prestige, however, was their weakness in the face of foreign aggression; the White Man had come to China with the air of a conqueror, and the Forbidden City had not been able to resist him.

Disastrous floods, famines and nation-wide poverty had played into the hands of the new Chinese nationalism which accused Emperor and mandarins of having sold out to the foreign devils. A military revolt broke out in Wuhan and, once the signal was given, province after province denounced the Forbidden City. The revolution spread rapidly throughout China, and the dynasty collapsed.

Dynasties had been swept away before, and they had been succeeded by dynasties. This time, no one knew what was going to happen. The nationalistic movement, which had its center in Canton, favored a republican form of government. Could China ever be a republic in the Western sense of the word? The taipans watched the developments with more than curiosity. When Dr. Sun Yat-sen, the leader of the new Cantonese nationalism, arrived at Shanghai from his exile in Japan to "take over," few of them credited him with the ability to re-establish order.

For all this uncertainty, the taipans were pleased to see that Shanghai had been spared the calamity of open unrest. The sober Shanghai Chinese had decided not to fight, and that was a good thing. And those who had an hour to spare would take a rickshaw and drive to the gates of the Chinese city, where a husky fellow with a tremendous pair of shears was stopping Chinese passers-by to cut their queues—the queue had been a Manchu custom, adopted by the Chinese as a sign of submission three centuries ago, and it was time for it to disappear.

The unfortunate *taotai* had sought refuge in the Settlement for a while. He was an Imperial official, and his fate was sealed. He disappeared, along with the queues, and no republican officials succeeded him. The Chinese judges of the Mixed Court disappeared, too, and, as they were facing an uncertain future, they took the funds of the Court along on the trip. Even the picturesque old walls of the Chinese city vanished, and Shanghai took on its final appearance without visible boundaries between its Chinese, French, and International parts.

To understand the effect of the World War on the City of the Muddy Flat, one has to recall that its life was built upon the idea—the illusion, perhaps—of white solidarity. Soon after the appearance of the *Nemesis* in the Yangtze mouth, the Settlement had ceased to be a British affair. It had become international, and authority rested with a group of white people whose nationality did not matter. A solid white front was shown to the Chinese—in politics, economics, in religion. A taipan was a taipan, regardless of the flag hoisted over his hong, and a taipan was a lord. While the British continued to be the dominant factor in the life of Shanghai (as, indeed, of every other treaty port around the China Seas), it was the White Man's prestige that kept the Chinese in awe, and it was the White Man's prestige that suffered its first puncture when Germany and Austria were singled out as "enemies."

It was not the very first puncture, maybe. There had been the Russo-Japanese war of 1904, and the Japanese victory had been widely advertised as the first case in which an Asiatic nation had beaten a Western power. But Russia was not entirely "white," was half-Asiatic, and Russians had never been prominent members of the white community of Shanghai. In 1914, it was different.

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No one, of course, took very seriously the news that came to Shanghai in those August days. Europe was far enough away, and the trouble would blow over soon. Then, with the war assuming larger proportions, the sanguine temperament of the mud city became subdued. Would international, would British shipping be paralyzed? Would the trade be ruined? Would Lancashire be able to fill its orders? The questions that were looming above the Yangtze horizon were answered most obligingly by Japan. The Japanese had an alliance with Britain, had they not? And they were willing to live up to it. The little brown fellows who had licked Russia so splendidly ten years before assumed full responsibility for international shipping throughout the China Seas, patrolled the coast line, protected foreign freighters, and relieved the Germans of Tsingtao.

It was most reassuring to have the valiant Nipponese around, in those days of fear and distress, and with the British navy busy in the waters nearer home. But within the taipan group painful and most embarrassing problems arose. There was a German in the Municipal Council, and there were German members in various clubs. The white community was small, after all, and the fifteen hundred Germans counted heavily. Should one stop smiling at one's German friends on the Bund? Social relations became tense as the war dragged on, the German Councilor was not re-elected, and the German club members had been told to quit.

Some five hundred Britons, mostly adolescent griffins, left Shanghai to join the army. Many of them were sent to the front as soon as they had arrived. Britain expected them to do their duty, and the casualty lists told their friends in the Settlement that they had done it. And British taipans were sorry and upset. Why were the British the only ones to die? Why didn't the Americans go to Europe to fight? Anglo-American relations had been so cordial in Shanghai that this

thing was hard to understand. And it was regarded as quite within the nature of things, albeit tardy, when America announced that she had joined the Allies.

Germany had been a keen competitor of Britain in the Shanghai trade. Her chemicals, her manufactured goods had conquered a place in the China market, and it was a good thing to see this competition halted by the war. But new and more dangerous competitors arose out of the changed political constellation. British merchant vessels, needed for less peaceful purposes back home and in Atlantic waters, could not be spared for carrying cotton goods to Shanghai. Freight rates went soaring up, and cargo space was spoken for many months in advance. The Japanese, accommodating and polite as ever, were kind enough to fill the demand, and so were the Americans.

While British trade suffered heavily, Japan and the United States reaped a golden harvest. More American and Japanese firms sent their representatives to Shanghai, existing firms increased their staffs, and the American community, which had numbered less than one thousand in 1910, had grown to more than fourteen hundred by 1915. The following year American interests had so expanded that the United States Government purchased the property of Mr. Edward Ezra, opium magnate, for a sumptuous new consulate.

But the advance of Japan was even more spectacular. There had been less than four hundred Japanese in Shanghai in 1890. Their number had grown to three thousand five hundred by 1910 and, after the first years of the war, had bounced to seven thousand three hundred and ninety. They arrived quietly, on Japanese ships, they brought their graceful wives and their well-kept, well-washed, well-combed children. They settled down in the northern parts of the Settlement, where they had their Japanese stores, their Japanese restaurants, and their Japanese schools. They hardly

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ver went south of Soochow Creek, where the other foreigners lived and worked, unless it was for business reasons. There were business reasons, of course, for the offices of large Japanese firms—Mitsui, Mitsubishi, N.Y.K., O.S.K., Yokohama Specie Bank—were in downtown Shanghai, and some of them were on the Bund. But Japanese community life was restricted to the "Japanese section" of the Settlement, and there was no social contact.

The taipans were not unduly alarmed by the rapid advances of Japan, but they began to watch the little fellows with the brown skin and the obliging smile. The sun of Nippon had risen overnight, and it was still hard to believe that this island empire with its quaint customs and its lovely scenery should have become a powerful nation, and one to be reckoned with. Japan had defeated Russia, had taken Korea, the island of Formosa, had gained a foothold in Manchuria, and was making heavy inroads in the China market. Japan had to be watched, from now on. And when, in 1916, thirty Japanese policemen arrived in Shanghai to join the Municipal Police with the express purpose of controlling the "Japanese section" of the Settlement, some of the taipans questioned the wisdom of admitting them. A year before this, the Japanese Government had fired the roadside of its famous Twenty-one Demands, demanding from China the virtual surrender of her sovereignty and the recognition of Japan as her tutor. This Imperial salute had achieved more than the end of Sino-Japanese friendship. It had shocked the Allies whose governments, however, were preoccupied with the war and unable to tell their Japanese friends what they thought of the gesture.

Then, in 1917, the taipans had talked China into joining their front. China's declaration of war automatically canceled the treaty prerogatives of Germans and Austrians. They lost their "extraterritoriality," the Most-Favored-Nation privilege, and

their rights have never been recovered. The breach in the white front was definite. On the Bund, where this front had found its most tangible expression, the Deutsch-Asiatische Bank closed its doors. Five German and three Austrian ships were seized in the port, transformed into transports for the Allies. The German Medical and Engineering School was closed—some of the taipans raised their eyebrows when it re-opened downstream at Woosung, with a heavy enrollment of students. An order for the deportation of all Germans from China was signed reluctantly by the Chinese Government—it was carried out when the war was over, much to everybody's embarrassment.

But the fact that China had joined the Allies in their fight against another group of white nations, the fact that a hundred thousand Shantung coolies helped the Allies win their victory, was of historic importance. The taipans, no doubt, had little time to think about the new aspect of Yellow-White relationships. They were busy counting the profits of another Shanghai boom—the shipbuilding boom, this time. And when the news of the armistice was flashed to Shanghai, they held a thanksgiving service of unprecedented fervor. The Americans held a song service of their own at the Palace Hotel, down on the corner of Bund and Nanking Road. They had emerged with a greatly magnified share of the China trade, and they had reason to be thankful.

And in the general excitement and the flurry of enthusiasm, the taipans almost forgot the price they had paid for Chinese participation. Things had been so prosperous, business had been expanding so vigorously, that another extension of the Settlement was under consideration in 1917. This time, the area under foreign control was to take in the Chinese suburbs in the north and to cover the entire territory between the northern boundary and the Shanghai-Nanking railway. Plans were ready, and there was hope that

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the Chinese would give in. But then, the Chinese Government was asked to participate in the war, and the matter could not very well be pushed. Informal inquiries, in fact, were answered in the negative by the republican government of China, and that was that. The tumor could not grow any more.

CHAPTER VII

The Coolie

THE people of China, who had gone into the World War with the hope of winning a man's chance, emerged with a Chinaman's chance. At the peace conference at Versailles, where the Chinese delegation submitted a memorandum asking for the abolition of "unequal treaties," nothing whatever was done by the taipan powers to grant the request. And the Chinese delegates, deeply disappointed, refused to place their signatures under the peace treaty. They returned to China and told their countrymen that they had been cheated.

Stop for a moment to consider the change that had been going on in Chinese minds. For three-quarters of a century, the West had hammered away at China, and its relentless campaign had begun to show results. The dynastic form of government, which had been good enough for China during more than three thousand years, had been swept away. The continent, with its rivers and cities and villages, had been "opened up." Western ships and railways and goods and ideas had entered through the treaty ports. The Chinese had learned much during these seventy-five years. They had watched the White Man at close range. Some had learned to speak his language. Many had learned to use his tools. And students had gone to foreign countries—Europe, America, Japan—and they had come back with new ideas.

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Some of these ideas were dynamite. There was the example of Japan, "backward" and medieval not so long ago, and one of the world's biggest powers now. So powerful, indeed, that foreign nations had readily agreed to the abolition of "extrality" in Japan, had submitted to the jurisdiction of efficient, up-to-date Japanese courts. And there was the example of the United States, which had fought a revolutionary war against Great Britain under the slogan "no taxation without representation." The Chinese students had learned that in their history course, and remembered it. They remembered it when they came home and saw the International Settlement in Shanghai which was inhabited to more than ninety per cent by Chinese citizens who paid taxes and had no voice in municipal affairs.

It may well be said that these thoughts were by no means universal. It was a small group that thought, anyway—the four hundred million remained in stolid silence, tilling their fields. The war and even the revolution had concerned them but little: a new government had come into being in far-away Peking, and Peking was just as far away as it had been for a thousand years. There was, of course, no democracy. But against the silent wall of the four hundred million, the voices of the few who had learned to think sounded doubly strong. Their opinion was important. It was "public" opinion—perhaps not much more or less than in any Twentieth Century democracy.

Public opinion demanded a man's chance. Public opinion was concentrated in Shanghai, where a steady flow of Western thought kept it from going stale, and where the fresh breeze encouraged fresh and liberal ideas. Public opinion was back of the Chinese delegates who told the representatives of other nations in Versailles that "the legacies of the past" were "due to circumstances which do not exist now, while others arise from recent abuses which are not justi-

fiable in equity or in law." Public opinion backed their demand for the return of all foreign settlements and concessions on Chinese soil, for "although Chinese citizens constitute the bulk of the population in most of the Concessions and contribute by far the largest share of the revenue of these municipalities, they are not represented in the Municipal Councils."

The British taipans, discussing things over a glass of whisky at No. 3, The Bund—in the beautiful new building of the Shanghai Club—came to think that it had been a mistake to solicit Chinese participation in the war. Had the Chinese forgotten that Shanghai had been built as a white man's town, and that they had been given shelter and security for sheer charity? The British Minister, Sir John Jordan, an old China hand himself, had to listen to speeches like the one made by the Governor of Shantung Province, who said: "From the great catastrophe of the European war these powerful nations have learned that no ultimate reliance can be placed in brute force. If they reflect on the modest assistance we were able to render in the war, perchance they will be led to treat us as a comrade." Modest assistance? Comrade? The taipans ordered another round, and didn't like it.

True, the foreigners paid only eight hundred thousand taels in municipal taxes every year, and the Chinese community in the Settlement paid a million and a quarter. The Chinese had no franchise and no voice in determining how to spend this tax income. Some of it, in fact, was spent on the improvement of public parks where "Chinese and dogs" were not allowed. But it was not as simple as that. The foreign community enjoyed a great deal of autonomy. The committee of taipans, called the Municipal Council, made laws, and these laws could be—to a mild extent—enforced by the consuls and the international police. Foreigners were exempt from Chinese justice. It would not be simple to fit

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the Chinese into this legal scheme, to alter their relationship with their own, Chinese, Government.

But this legal finesse failed to impress the new Chinese nationalism which was more serious, in a way, than the Taiping Rebellion and the Boxer Rebellion. It was more serious because its protagonist was not the sullen peasant of the provincial backwoods, but the alert and intelligent student. When it became known that the Japanese were to keep Kiaochow which they had "freed" from German rule, that the treaties were not going to be revised for a long time to come, and that there was going to be no Chinese representation in the Shanghai Settlement, the Chinese student took action. A students' union was organized, mass meetings were held, incendiary speeches were made. Processions rolled through the streets of the Settlement and an anti-Japanese boycott was started.

The taipans were bewildered at first. Then, when the first acts of anti-foreign violence occurred, they did something which was quite in keeping with their flair for "settling" things. They told the students' union to move its headquarters into the French Concession, and they founded the "Union Club," whose purpose was the friendly social intercourse between foreigners and Chinamen.

The young nationalism of the literary type might have remained an isolated phenomenon. It might have been forgotten a year or so after it had started, if it had not been for a powerful ally who listened pensively to the students' tirades, thought it over, and made up his mind to join them.

He had no name. He had no family and no home, nor a place to sleep, except a quiet corner of the sidewalk. He did not own a thing except the very pants he wore. He had no past and indeed no future. You could kick him or hit him with your cane if he happened to be in your way, and if he

howled, you could kick him once more. For this world was not made for him and for the like of him. He was the coolie

And yet, the coolie stood out as the most important feature of the new era that had come to Shanghai with the end of the war. New industries had sprung up in the Settlement producing many of the goods that war-torn Europe had not been able to export. The vast store of ready cash in the vault of the Settlement had been waiting for new outlets, there were no Chinese taxes to pay, and there were no industrial rules and regulations to follow. An unlimited supply of labor, sturdy Chinese coolie labor, was ready to fill the demand. To fix their wages and hours was within the discretion of their bosses, of course.

The coolie had come from the plains and fields and cities back of Shanghai. His father, maybe, had been a farmer there until his crops were burned and his water buffalo taken away. For chaos had followed the first successful coup of the revolution and civil war was raging through the fertile provinces upstream. The muddy waters of the Yangtze carried the bloated bodies of peasant sons who had not been meant to die so early. And the coolie was glad to have escaped all this, glad to be in Shanghai, safe.

Coolies were working in the cotton mills, in the tobacco factories, in the foundries and in the breweries. Coolies were unloading ships along the piers of Yangtzepoo and Pootung. They were pushing, pulling, and shoving ten thousand wheelbarrows through the crooked streets of Shanghai. They were balancing crates and barrels on bamboo poles across their shoulders. They were pulling rickshaws. The rickshaw coolie, in fact, remained the classic example of his class, and it might not be improper to introduce him first.

"If he has a native in his vehicle," observed a Mr. W. MacFarlane, way back in the eighties, "from whom he will only get a few *cash*, the coolie goes as if he were in a funeral pro-

cession; if he has a foreigner and the foreigner has a stick, the coolie will go at the rate of seven or eight miles an hour." And again: "When a passenger wants his coolie to turn to the left, he touches him with his stick on the left side, or kicks him with his left foot, on the part of the coolie's body nearest the passenger's foot." Unfortunate foreigners, who did not know enough pidgin English to stop the coolie with a simple "man man," used to kick and beat him instead, which, naturally, made him only go faster. When he finally stopped, panting and quite wet, he got five cents and, if he was not satisfied, he might receive "something more than he wanted, if the foreigner had a cane handy."

As it was below the dignity of the White Man to walk, there would be a rush on him as soon as he emerged from his office or club. The coolies, in their eagerness, would put down the shafts of their rickshaws as close to his feet as possible, and some of them might have hurt him. "He could not help striking a few of them, if he had a stick," remarked Mr. MacFarlane. "They will then go off, and the ones that are chastised are laughed at by all the others."

Rickshaw pulling had not become a much more pleasant profession forty years after these remarks were made. There was a little less kicking, maybe, but there were other things to worry about. The rickshaw business, as so many things in this wide-open town, had deteriorated into a racket. The licenses distributed each year by the Municipal Council were absorbed by a tight monopoly group of rickshaw owners who, in turn, let their contractors handle the dirty work. The dirty work consisted of renting the rickshaws to the pullers. Two or three coolies would team up, as a rule, on one vehicle, and work it in shifts, day and night. They would have to pay an even dollar rent for every twenty-four hours, and they would have to pay that dollar before they could eat. On top of the dollar, the pullers had to put up the cash for traffic

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fines or for a broken fender. If the dues were higher than the coolie's earnings of the day—and they often would be—the contractor did not care. He wanted his money just the same. And heartbreaking scenes were enacted at the depot with a special employee who carried a tremendous cane beating the coolies into "confessions." They were always under the suspicion of having hid some of their earnings away, and at times, perhaps, they actually had.

The rickshaw racket, with the merciless stick behind, forced the coolie to borrow money. All he wanted was a bowl of grade B rice which he could get from one of the street corner cooks. And to pay for this, his miserable me he would have to go into debt heavily. Between the rickshaw racket and the loan racket, he might be crushed one day, squeezed dry. Nobody cared. Twenty thousand bodies were picked up every year by the police, in the dark alleys of Shanghai.

Pulling a rickshaw, in itself, is not hard work. Rickshaws are constructed cleverly. They have a built-in balance that takes care of the puller's weight from the waist up whenever he pulls a normal-sized passenger. That gives the legs a feeling of independence and, on a downhill pull, the coolie's feet seem hardly to touch the ground. Moreover, coolies are good tempered, even rickshaw coolies. They never had much to lose, and they never had much to be afraid of. They might have had one or two exceptionally good days, pulling a newcomer who overpaid them, and the extra cash would go into fashionable new straw sandals, or into a shiny new oilskin for rainy weather. Some coolies even might retire for a few days, hang around the opium dens and tea houses, and make a dollar or two by gambling. Coolies have no responsibilities.

But the meager margin that stood between a coolie's life and a coolie's death did not permit the slightest measure

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additional squeeze. There had been a rickshaw strike during the war, when the Municipal Council had tried to decrease the number of licenses, which would have strengthened the monopoly of the license holders. Now in 1918, when a new order came through that confined public rickshaws to stands and forbade them to cruise in quest of passengers, the propaganda of the students began to show tangible results. The coolies stood by their rights and defied the municipal order, roaming the streets as they used to do. When the police confiscated their licenses, they banded together and started a riot. Somebody had told them that the tramway company was responsible for the new restriction, and the taipans beheld the strange and unprecedented sight of a bunch of coolies smashing a streetcar with sticks and stones and fists. There was a bloody clash between the coolies and the police, and a man was killed. But rickshaws were allowed to cruise again.

Shanghai's new proletariat swung into action. The radical and nationalistic students had found a most powerful ally. By stirring the masses of millhands and dockhands, the shoves and sweeps and stoops and pullers, into revolt, they could fight it out with the White Man. And it was no difficult job to arouse those thousands who were living in the shadow of Shanghai.

Factory conditions were dreadful. With the wave of industrial prosperity that had come to Shanghai, tenement houses had been hastily converted into factories, machinery had been crammed in, a few partitions had been broken out, and the peasant boys were herded into dark and stuffy rooms, to work there up to fourteen hours a day. The peasant boys could get used to the dim light and the thick air, but it was hard to get used to the whims of the foremen and to the

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discipline of industrial labor. Wages were low, and fines for mistakes or for a day of sickness were high.

Cheaper even than coolie labor was the work of women and children. Contractors would go out to the country, would prefer places which had been visited with famines and floods, and would buy all the girls in town for a song. The understanding was that the contractor would have to feed, clothe, and shelter them for the next three or four years, until they had "worked off" the price. He would put the children into a workshop with special, children-sized machines, and they would stand there, all day, and unreel cocoons, which their nimble little hands could do more quickly than the hands of the grown-ups. The job had to be done over basins with boiling hot water, and the hands of those children looked hopeless after a while. So did their eyes. Grown-up workers who were waiting for the threads would come along once in a while and slap them in the face if they were not quick enough.

In the dingy rooms of the silk filatures, the working women of Shanghai were reeling the tender threads. So tender were these threads, in fact, that the slightest draught would have damaged them. Windows had to remain closed, which meant torture, in a hot Shanghai summer. A working day of over thirteen hours was quite common, and the meager earnings were cashed in by the contractor who owned the girls. He had spent thirty to forty Chinese dollars on each of them, and during the three years of the contract, he expected to make a profit of two hundred or so for each slave. During this time, he kept them in crowded dormitories, fed them rotten food, and had to see to it that they would not run away: he had to pay the factory six dollars for each girl that managed to disappear.

In the boiling halls of the filatures, in stuffy tenement houses where twenty-five people would live in structures

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built for five, in the parlors of pawnbrokers and loan sharks who demanded their piece of flesh (a hundred and twenty per cent annual interest was considered fair), mutinous thoughts were rife. The harangues of young intellectuals met the glimmer of response on the pale faces of a hundred thousand workers. Shanghai, the only Chinese city in which a huge shiftless proletariat had found a chance to make a living, was the natural center for a Chinese labor movement. And as it was not always easy to draw a line between political and social prerogatives, hatred was directed against the White Man and against the employer, without much discrimination.

Outside factors hastened developments in Shanghai. A sudden jump of the rice price, a sudden depreciation of the copper coins in which most wages were paid, made starvation more acute. More important than these physical factors, however, was the beginning of a Communist influence in industrial Shanghai. The Third International, concentrating on the fight against "Imperialism," in those early post-war years, had discovered Shanghai. It had discovered China's incipient labor movement, germinating in the smelly slums of the city by the Yangtze mouth, full of revolutionary potentialities. The Third International had also discovered the national enthusiasm of China's academic youngsters, and it did not seem difficult to use their organizations as a spiritual link between Moscow and Shanghai.

The first strikes that shook the industrial structure of the city and that shocked the taipans more than armed rebellion, were clearly political. They were organized by radical students as protests against the injustice done to China at Versailles, as protests against the injustice done to China by the White Man. And the hundred thousand coolies crawled out of their dingy factories and protested, in the open streets, most cheerfully and most emphatically. They were organized

by now. Trade unions had sprung up throughout the Settlement and the adjacent Chinese sections, and their non-recognition by some of the bosses threw oil into the fire

The strike of the silk women, no doubt, was one of the most pathetic events in those troubled years. It had started in Chapei, the Chinese community to the north of the Settlement, and it spread to the Settlement itself, embracing twenty thousand pale and undernourished women. They struck for a ten-hour day instead of the thirteen and a half or fourteen hours that were common, and for a five-cent increase of their forty-cent-a-day starvation wage. They marched through the Settlement, the silk women of Shanghai, and their crudely drawn banners said that the world should know their harsh conditions.

And all the time, below the noisy surf of strikes and meetings and processions, there was that dangerous undertow licking at the foundations of the Municipal Council. "Street Unions" had been formed among the Chinese for a more purposeful promotion of their claims. They came out with statements demanding Chinese participation in the Council, a drastic revision of the Land Regulations, the abolition of the White monopoly. The Chinese ratepayers got together, and eight thousand Chinese firms submitted, in all modesty, a petition to the parliament of foreign ratepayers, which said: "We, the undersigned 8,000 signatories, representing over 600,000 Chinese residents and ratepayers within the Settlement, respectfully petition the Annual Meeting of Ratepayers to grant the Chinese representation on the Council. We do not desire to argue the point but would emphasize that the Chinese subscribe a considerable proportion of your revenue annually and yet are without any voice in taxation or any other Municipal matters. You, gentlemen from the West, taught us that it is repugnant to your ideas

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that there should be taxation without representation. We therefore feel that in approaching you with our request we shall meet with a sympathetic hearing."

For all its succinct moderation, this note met with little enthusiasm on the part of the taipans. The Meeting of Ratepayers passed it on to the Council with a marginal remark expressing disapproval. Chinese representation, which was so likely to disturb the subtle Shanghai scheme, was out of the question. Still, if the taipans came to think about it, a careful strengthening of the Chinese "face" might have come in rather handy. It might have eliminated the basis for growing resentment on both the Municipal and the labor fronts, and it might have added to the smooth efficiency of the Shanghai government. The French, in neighboring Frenchtown, had admitted two "Chinese notables" as municipal advisers back in 1914, and this arrangement had saved them a lot of trouble. Would it be too risky to try something along the same non-committal line?

The Chinese Ratepayers' Association took the hint. It called a meeting in which the representatives of the old Canton and Ningpo merchants' guilds turned out to be the most influential factor, and elected five highly reputable Chinese citizens as advisers to the Municipal Council. When the thing came up for the official approval, the taipans refused to admit the five advisers because the statutes of the Chinese association made them responsible to the body of Chinese ratepayers. This clause, the taipans were afraid, would make the Chinese advisers an independent Council by itself, a powerful organ apt to undermine the influence of the foreign rulers. So the Chinese association, imbued with the admirable patience of the Chinese race, revised its statutes and submitted its proposition once more.

At the meeting of the Municipal Council, which was held on the eleventh day of May, 1921, the five Chinese advisers

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were admitted for the first time. It was a great occasion indeed, and the Councilors told them that they would be delighted to listen to the advice of "such enlightened Chinese gentlemen," and that they hoped that the Chinese residents in the Settlement would be happy and contented now on. Whether they knew, at that time, that they would humiliate their "advisers" by hardly ever asking the single question, it is impossible to say.

It can be said, though, that the taipans were genuinely anxious to settle the disputes separating the Chinese and foreign communities. Not for sentimental, humanitarian reasons, of course. But differences like this, in the long run, were likely to interfere with the trade of Shanghai, and at this menace the taipans were most apprehensive. Prosperity had come back to Shanghai after the end of the war, and it was to be expected. There was a sudden revival of British imports, Lancashire sent its cotton goods again, the market for machinery, motorcars, gasoline, cigarettes, was expanding. Money resumed its free, majestic flow. More ships came into Shanghai's port, the foreign trade soared to a new unprecedented high: a billion taels.

In anticipation of colossal profits, the British were building the palatial new structure of the Hongkong & Shanghai Banking Corporation, the largest building enterprise so far they had sunk gigantic concrete rafts into the muddy sea on the Bund as a solid foundation. On Kiangsi Road, a new Municipal Building was going up, to house the Council and its permanent committees, and Jardine's were erecting a brand-new granite Ewo Building on the Bund. Shanghai was dressing up for bigger and better booms.

In this atmosphere of rosy optimism, the resentful animosity of the million Chinese who lived in the International Settlement was annoying. But even if the taipans had been quite sincere in their endeavor to improve social condi-

in Shanghai, to raze the slums, and to enforce decent wages and hours, it would have been a difficult job. The majority of Shanghai's factories was owned by Chinese, after all, and every step would have met with angry objections on the part of Chinese interests. Efforts were made, commissions appointed, questionnaires sent out, reports submitted, and nothing much was changed. It may well be that this lack of efficiency in the face of one of the most vital problems affecting the community was the direct outcome of the Shanghai scheme. The Council, for all its influence, had no power to regulate the fundamental relationships between Chinese and Chinese. The manufacturers and the bankers and the merchants who had come to Shanghai because they believed it safe, might leave the Settlement as soon as they should feel like it, and there was no doubt that a fairly general exodus of Chinese capital would throw the Settlement back to where it had been thirty years ago. The taipans had let themselves in for "protecting" a million Chinese. They now had to safeguard the precarious balance between the haves and the have-nots within the Chinese community. It was a job for diplomats; and the taipans who had themselves elected as Municipal Councilors were diplomats by avocation only.

The Washington Conference of 1921-22 had thickened the general muddle. The Chinese delegates who had gone there with new hopes had reaped new disappointments. It was a bad time for a sympathetic understanding of Chinese aspirations, maybe. War, famine, pestilence, and death, the four apocalyptic curses, were ravaging China from north to south, and the continuation of "unequal treaties" seemed more essential to the well-being of foreigners than ever. There were gestures to mitigate the disappointment of the Chinese: Japan withdrew some of her twenty-one demands, returned Kiaochow to the Chinese Republic. The principle of the Open Door, vouching for the territorial integrity of China

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and allowing no single power to monopolize the China trade, was re-formulated. More than that, the Conference declared itself in sympathy with China's desire for equality and promised to appoint a commission to look into that. (When this commission submitted its report, four years later, it advised the taipan powers to postpone the surrender of extrality until conditions in China were more orderly. . . .) Finally, the delegates expressed themselves in favor of the eight-hour day—a sardonic joke on Shanghai.

The Municipal Council, in its attempt to compromise and reconcile, was getting into deeper water every day. There were 15,000 striking workers in 1918; 57,000 in 1920; and 65,000 in 1922. By 1924, there were some hundred and fifty thousand men, women and children employed in Shanghai's hundred and fifty factories; another hundred and fifty thousand rickshaw, dock and warehouse coolies were toiling outside the factories, ready to join them. Shanghai's proletariat had reached the appalling figure of three hundred thousand. And at No. 3, The Bund, the taipans arrived at the conclusion that something had to be done. But all they did was to appoint a committee to investigate child labor in Shanghai. Although the work of this committee ended with a complete fiasco, its very creation was important because of the fact that it had several Chinese members. One of them was a Miss May-ling Soong, who had taken her degree six years before at Wellesley.

Doctor Sun Yat-sen was a colorless, immature, none too intelligent saint. The fact that he became the leader of the Chinese revolution was due to an after-thought of history rather than to his merits. And the strange thing about it is that he began to be the leader of the Chinese revolution the day he died. Another strange thing is that the Chinese revolution had really started somewhere in Hawaii, and that Chi-

nese merchants and intellectuals living abroad remained its most ardent supporters.

The Doctor, they say, had conceived the message of revolt at an early age, watching executions. He had taken part in a number of risings, had been an exile in Japan and, in the chaotic China of the early twenties, he had established the feeble semblance of a government in Canton. It had not much of an army, no money, and its area was sorely limited. But the Doctor felt the burden of a cause on his frail shoulders, and he wanted others to help him realize his ideas. He wanted men to train an army, too.

And thus we see him on a frosty day in January, 1923, chatting amiably with Mr. A. A. Joffe in Shanghai. Mr. Joffe, who was in China as Envoy Extraordinary and Plenipotentiary of the Soviet Union, said he was much flattered to meet the genius of the Chinese revolution. His country, he said, was deeply interested in Chinese unity and Chinese freedom—even if the Chinese should not be willing to be Sovietized. The Doctor was pleased. He seized the hand that was so kindly extended to him.

Moscow sent him money and some of its best men. It gave him Mikhail Mikhailovitch Borodin who had had revolutionary experiences with Turkish, Mexican, American accents. And while the Canton Government was re-organized along Communistic lines, a sharp leftward veer could be noticed in Shanghai. It was small wonder that the youthful intellectuals, riding on the band wagon of the labor movement there, were quickly warming to Russian leadership. These youngsters had campaigned so long and so unsuccessfully, they felt frustrated by now. The white taipans of Shanghai had turned a deaf ear to their noisy presentations, had remained in stubborn aloofness. Here, for the first time, were white men who were talking to them, and not talking down to them either. The Russian emissaries who spoke of

Western imperialism, who explained that the foreign devils were perpetuating the Chinese chaos to keep China in eternal weakness, were greeted as friends and saviors. And Russia had the amazing opportunity of approaching the Chinese proletariat through two quite different channels: the Kuo-mintang (Doctor Sun's People's Party) and the students.

A torrent of Communist propaganda descended on Shanghai. The Chinese authorities in charge of the municipalities outside the Settlement looked on with smiling tolerance. And in the hands of the students' union and the local branch of the Chinese Communist Party, this propaganda assumed a strong anti-foreign tinge. To deliver China from foreign domination, to them, was the first step toward a free, united Chinese republic.

The taipans, in the Municipal Council and at No. 3, The Bund, did not like it. They were suspicious and apprehensive of the strange "awakening" that was going on before their eyes. But as the centers of Communist and anti-foreign propaganda were located on Chinese soil, beyond the reach of the municipal police, direct action was hardly possible. They tried, for a while, to get the diplomatic body interested in their plight. But the diplomatic body was sitting in Peking, and Peking had no authority in Shanghai. Politely, the diplomatic body let the taipans know that they had to settle their own affairs as best they could.

That was in 1924. The Shanghai scheme had been perfected to the ultimate. Shanghai was on its own.

CHAPTER VIII

"Massacre"

IN order to sense the rapidly growing tension that finally led up to the famous "massacre" of 1925, one has to look, for a moment, at ominous developments in Shanghai's backyard. China, as a national unit, had virtually ceased to exist. Individual provinces or clusters of provinces were in the hands of "tuchuns," war lords who squeezed the very life out of their stolid subjects to fight the war lord next door. The powers, which had to deal with China diplomatically, pretended that the Chinese nation still existed. They recognized whatever government there happened to be in control of Peking and, as the turnover of governments was rapid, they had to tender a great many recognitions.

Shanghai, the one cool spot in a hot Asiatic turmoil, remained in armed isolation. The Settlement could not be touched by the tuchuns. But the Yangtze mouth and the Chinese communities hemming in the Settlement were the most tempting prize. Whatever "government" could manage to control this area, was sure of fat, substantial revenues. Whoever could manage to surround the metropolis with his armies, was sure of a place in the sun. Two actual wars were fought in Shanghai's backyard between 1923 and 1925, both involving the provincial armies of Kiangsu and Chekiang. The cotton fields and the tea gardens and the silk districts were devastated, and another tidal wave of refugees

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The taipans had come to think that the chaos backstage was not such a bad thing after all. There was occasional excitement, of course. Foreigners were killed in the course of military operations inland once in a while. At one time, the famous Blue Express had been derailed by bandits, and some well-known white Shanghailanders had been kidnapped right off the train and dragged into the mountains. But the complete absence of unified control and authority precluded a concentrated push against the Settlement. As long as Chinamen kept fighting Chinamen, they had no time to fight their foreign guests. Bund rumors (which cannot now be proved) even had it that foreign firms actually financed some of the civil wars from Shanghai.

The members of the anti-foreign Chinese Ratepayers' Association were so deeply touched by the safety measures taken by the Municipal Council that they sent a special note to the taipans, thanking them for having protected the Chinese community in these times of stress. But the taipans did not trust them. They knew that pleasantries like this could not bridge the gap. They knew that trouble was ahead, serious trouble. The scarlet flag with the star had been hoisted in full sight of the Bund, right across Soochow Creek: China had recognized Soviet Russia, had handed the old Russian Consulate to the Soviets. Communist propaganda received a new impetus, and the feature of the Sino-Russian agreement which boded worst was Russia's voluntary waiver of extrality.

Disturbing news came from Canton, where Mikhail Borodin and his staff now virtually controlled the government. Communists had been officially admitted to membership in the Kuomintang, and the tight little group of Shanghai intellectuals who were responsible for most of the radical propaganda kept in intimate touch with them. Meetings, secret or public, were held in the Soviet Consulate or somewhere on the Chinese territory of Greater Shanghai. Seditious and

anti-foreign handbills were freely distributed among the three hundred thousand coolies, and the fact that most of them could not read was small consolation. "China's treaties with foreign powers should not only be revised," declaimed Soviet Ambassador L. Karakhan in a speech at Peking, "they ought to be torn asunder and abolished, because they strangle China and because China cannot live under them."

Things came to a head with the death of Dr. Sun. Striving for a unification of China to the very last, he had gone on to Peking to talk terms with the "Northern" government there. On the eve of a general settlement which might have brought the long-hoped-for unity, he died. Directly, the entire nation proclaimed him as its national leader. Deified, he was to live on as the strong revolutionary hero whose qualities he had so completely lacked in mortal form.

A brilliantly organized propaganda campaign exploited his death with great success. His will, which contained some very complimentary remarks about the Soviet Union, was broadcast. This famous testament, which urged his people to "co-operate with those races of the world that have treated China equally," left no doubt about the course which Dr. Sun had favored. Combined with his "Three Principles," it crystallized the message which he had meant to bestow upon the Chinese people. He had urged them to fight against the "barbaric method of encroachments on other lands," he had preached hatred against the "Saxons," he had prophesied that all Chinese would be British subjects soon, and he had held out the threat of racial extinction.

Fortunately, from the taipans' point of view, the anti-"Saxon" propaganda was overshadowed, temporarily, by the fresh outbursts against Japan. Japan had been singled out as the primary enemy for a while, and the taipans were not alarmed to see a growing anti-Japanese sentiment take hold.

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of the Shanghai proletariat. Japan's advance during and after the war had been disturbing enough. Tokyo had given substantial loans to various Chinese governments, and in contentions that the Peking generals were “selling out” Japan was probably not ill-founded. In Shanghai, the Japanese had amassed tremendous interests. They had acquired more cotton mills, among them the “International” and the “Yu-yuan,” had bought some of the wharves in Yangtzepoo and Pootung, had established their own banks. Competition with British interests, especially in the textile field, was keen.

One day in February, 1925, more than thirty thousand Chinese workers employed in Japanese mills in Shanghai went on strike. Their treatment, probably, had not been any better or worse than it was in other plants; but anti-Japan agitation had created tension, and tension had precipitated clashes. The strike spread to more Japanese factories, and a gigantic procession of strikers and sympathizers marched through the streets of Shanghai. Japanese civilians were insulted and attacked, and one of the Japanese mills was actually stormed. Chinese policemen looked on approvingly. The municipal authorities managed to arrest some of the leaders who had ventured into the Settlement; and the Japanese employers signed an agreement with their workmen which was hailed as a proletarian victory.

The strike was over, but it was too late to smother the movement by an Oriental compromise. A large sector of the Chinese community had more or less openly sympathized with the strikers. A sympathetic attitude could be noticed even within the ranks of Chinese capitalists—bankers, industrialists, merchants—to whom national aspirations seemed more important than their own class interests. If the resentment of the mill hands was to swell into revolt against the taipans, it would not be without substantial support.

When the storm broke, in May, 1925, the taipans rec-

nized that everything before this had been child's play. Again the trouble started in one of the Japanese mills. Its immediate cause was the dismissal of workers—two Chinese foremen. But it rapidly grew beyond the proportions of the original dispute.

As soon as the first mill had been deserted by the striking workers, another Japanese mill, whose production depended on the output of the first, closed its doors. The management put up a sign which told the workers that they would receive half their wages during the shut-down. The coolies came to work as usual, found the gate closed, read the notice, and smashed their way into the compound. They fell upon the machinery and broke it into scrap iron. They showed the terrified Japanese overseers, who were fumbling at their revolvers, that the Chinese coolie could be awful in his wrath. The revolvers went off; seven coolies fell to the ground.

Five thousand coolies took part in the solemn memorial service that was held on the twenty-fourth of May for Koo Tseng-hung, who had died in front of one of those revolvers. A flood of banners almost covered the coffin, and the characters brushed on the banners screamed revenge. The taipans did not see it, for the funeral was in Chapei, across the northern boundary of the Settlement.

Things were moving fast.

On May 27, the radical students of Shanghai University, one of the Communist propaganda centers, passed a resolution. They declared that the fight against capitalists and foreign imperialism was on, that the time for the abolition of foreign rights and privileges had come. They stated that China's masses were willing to fight to the finish; they demanded compensation for the death of Koo Tseng-hung, the coolie.

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Three days later the shots went off that punctuated the story of Shanghai.

“Beat Down Imperialism,” cried the banners that were carried through the narrow streets of the Settlement. “Scrap Extraterritorial Rights.” “Cancel All Unequal Treaties.”

The students had come to demonstrate, right under the noses of the municipal police. “Some of Us Have Been Killed,” cried the banners. People leaned out of their windows, the pavement resounded with marching steps. They carried no weapons. But, in addition to the banners, they carried leaflets that hammered home vicious things about the “imperialist powers”—Britain, America, France, Japan.

When they came to the Louza police station, they faced a handful of white officers who ordered them to disperse. Then, three were seized and taken to the station. The crowd flowed after them, flowed into the station, into the charge room. Excited youngsters shouted that they wanted to be arrested too, locked up with their friends. Through the open windows, the officers could hear the fragments of anti-foreign speeches made in front of the building. Inspector Everson left the room, brought back another student, with a banner, who was under arrest. They still could not push the crowd out of the charge room. The air was crackling with suspense.

When they finally had shooed the youngsters out of the station, they noticed that the prisoners had gone too.

Outside, the first acts of violence occurred. The crowd, slowly milling down Nanking Road, got into trouble with some foreign policemen, tried to snatch their firearms, was beaten back with blackjacks. And pent-up wrath broke into one thunderous cry: Kill the foreigners.

What followed was the typical action of a furious mob. The crowd turned back, charged upon the police station again—less peaceful this time, and very dangerous. The foreign officers, who flanked the gate, felt their nerves snap.

Inspector Everson told his men to fire. Twenty-five Chinese were hit, nine of them fatally. "The shooting," said the official report of the Municipal Council, "had the immediate effect of dispersing the crowd and traffic became normal shortly afterwards."

Traffic became normal shortly afterwards. But Shanghai did not become normal again—for a long time. The Chinese proletariat moved to present the balance sheet of eighty years of intolerable insults on the part of the white devils, with yesterday's insult the most intolerable of all. Word of the "massacre" spread into the crowded quarters of industrial Shanghai. White officers had fired into a peaceful crowd, had killed, in cold blood, their youthful leaders. Would they have shot so fast if the demonstrators had not been Chinese men but white people? Would Inspector Everson have given the order to fire into a crowd of British students?

It was as though you had dropped a pebble into a pool. Concentric waves rippled out of Shanghai, grew bigger, hit the villages and towns and cities of China's vast interior. White men, entrenched behind their rights and privileges in the great metropolis down the river, had massacred Chinese boys.

The waves of resentment grew bigger. There was an anti-British procession in Canton, connected with a strike and with more shooting. There were violent student demonstrations in far-away Peking.

The waves grew bigger, broke faster. Britain's proud crown colony, Hong Kong, was crippled by a frightfully efficient Chinese boycott which was to last for many months and which almost ruined its trade. The Chinese press, in a vitriolic campaign, clamored for the end of taipan tyranny.

In Shanghai, where the pebble had dropped, hatred swelled. A hundred thousand coolies went on strike. Excited

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mass meetings clamored for revenge, adopted hasty resolutions calling for a boycott of foreign bank notes, for the immediate departure of all foreign warships from Shanghai, for Chinese control of the municipal police. They demanded the withdrawal of the dreaded Sikhs from the mills, the end of cruelties to women and children. And the alarming thing was that this was no longer a movement of students and workers. The bosses, the bankers, and even the generals had joined their front, pressing for the end of foreign arrogance and injustice. The Kuomintang and the Chinese Government sympathized with the indignant people of Shanghai, supported them as best they could.

Another parade rolled down Nanking Road, carrying banners, and was shot at. White men remained indoors. It was not safe to show one's face in the street. When the first attacks on foreigners occurred, the taipans donned their uniforms and marched out as the Shanghai Volunteer Corps, to assure law and order. After duty, in the club, they discussed the fateful shooting. They knew that it had been more than an error in judgment; but they did not say so. A powerful Chinese body, the Shanghai Union of Commerce, Labor and Education, that had been formed overnight, presented its demands to the Municipal Council, and the demand for municipal franchise was on the list again.

The Chinese Government, which could not ignore a movement that swept the entire nation, seized upon the Shanghai “massacre” to open a diplomatic campaign for the fulfillment of the old demands. It asked for the “readjustment of China's treaty relations on an equitable basis in satisfaction of the legitimate national aspirations of the Chinese people.” And the foreign offices of the taipan powers expressed their willingness to discuss the reorganization of the International Settlement of Shanghai “and the administration of justice therein.”

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The incident had grown beyond its local proportions, assumed international significance. The vast and complex problem of China's rehabilitation, the abolition of extra-territoriality, the revision of "unequal treaties," had been brought again. Shanghai was in the headlines all over the world. London, Paris, Tokyo, and Washington turned their attention to the city by the Yangtze mouth, where the Municipal Council was no longer the supreme authority. Diplomats were talking over its head. The diplomats and the foreign offices, in the opinion of the taipans, did not know what this was all about, and they were liable to make a mess of this.

In London, Stanley Baldwin headed a Conservative cabinet, but the customary grapevine telegraph connected Shanghai diehards and London diehards did not quite work. Mr. Baldwin's government was less than a year old, and clouds of Labor which it had set out to dispel were throwing a dark shadow on Parliament and public opinion at home. The powerful Trade Union Congress, in fact, presented the government with a strong note, protesting against the use of British forces for the suppression of "the legitimate aspirations of the Shanghai workers."

In Tokyo, government and people were still concentrating on the aftermath of the terrific earthquake that had razed all of Yokohama and large sections of the capital eight months ago. Strong action on the part of Japan could have been expected. In Washington, President Coolidge was studying a letter written by Mr. William Green of the American Federation of Labor, asking for an international conference "to make plans to abolish extraterritorial rights in China." A vigorous note of the American Association in China, urging the "adoption of the strongest attitude" was filed at the State Department, unheeded. The public in most of the civilized countries of the world, it seemed, was in o

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sympathy with China's national awakening, and it made the taipans sick to think of the sentimental flurry that blurred sound judgment at a time when it was so sorely needed.

Meanwhile, the diplomatic body in Peking, acting on behalf of the sentimental governments and not on behalf of the taipans, had appointed a commission that was to look into the Shanghai incident. The commission proceeded with pompous clumsiness. Its methods were in marked contrast to the straightforward, businesslike approach that had characterized the policies of the Municipal Council for over half a century. The taipans frowned. They frankly questioned the right of the diplomats to interfere with their autonomy, to investigate their actions, and to pass judgment on the behavior of their officers. When the diplomats showed an inclination to blame the “massacre” on the Municipal Council, the taipans balked. They forced the diplomats into an impasse, and His Excellency the French Minister to China, who had been a member of the commission, resigned in a huff.

The way in which the Municipal Council now took the greatly aggravated affair into its own hands was remarkable. It proved that this committee of business men who had never passed the foreign service examinations was more efficient in handling the problems of Shanghai than the combined foreign offices of the world.

Deriving its powers from old-fashioned Land Regulations and the statutes of the foreign ratepayers, the Council acted within the limits of its freak autonomy. This autonomy was based on tri-partite agreements, and none of the three parties involved—the ratepayers, the treaty powers, and China—had a right to infringe on it. For eighty years, the taipans had played government, had produced an unsentimental, pragmatic polity, and it had worked. Now, under the stress of a

most unusual emergency, it worked again. Without consulting any authority except their own clear (and, maybe, arbitrary) judgment, the taipans reduced the problem to its original proportions and completely ignored the international imbroglio that it had created.

Shanghai was still in the grip of a general strike. All the cotton mills, the tobacco factories, the foreign newspapers, had suspended operations. The wheelbarrow coolies and the wharf coolies were all on strike. The trade of Shanghai had practically stopped. Anti-foreign demonstrations were all but continuous. One theater in the Chinese part of the city was producing daring travesties on white society nightly. And, worst of all, the Chinese merchants and manufacturers openly supported the rebellion, capitalizing on the shut-down of foreign competing establishments. If the strike was to be ended, the support coming from this wealthy group had to be ended first. And this could be done only by making the Chinese bosses suffer the way the foreign bosses did.

It was a low blow, definitely below the belt, but it produced the desired effect. On the 6th of July, the Municipal Council announced that it had suspended the supply of electrical power for industrial purposes. The Chinese manufacturers were startled. They had not expected this. Their machinery went dead, their plants had to close down, their incomes stopped, and there were forty thousand more idle workers to be supported. Should Chinese capitalists continue to finance this mass idleness? And how long? Funds that had come from Peking and Moscow in the beginning were almost exhausted. So was the patience of those who were now made to pay for their patriotic ideals with hard cash.

And thus, while anti-foreign outrages and boycotts continued unmitigated all over China, the clever taipans re-established perfect order in Shanghai. They did it without throwing their flimsy defense forces into battle formation.

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All they used was a trick, which proved that they had learned little human wisdom from their Oriental neighbors, after all.

One by one, the Chinese hongts and shops began to open their doors again. One by one, the striking coolies came back to work. The “Committee of the Chinese Compradores of Foreign Firms at Shanghai” offered its good offices and started mediating between the foreigners and the Chinese, as good compradores should. A joint meeting of the British Chamber of Commerce and the British China Association passed a graceful resolution. The British taipans earnestly hoped it would be accepted by the Chinese community “as evidence that the misconceptions . . . amongst which is the belief that British merchants are unsympathetic towards China’s national aspirations, are without foundation.” On the 9th of September, the Municipal Electricity Department resumed the power supply, and by the end of that month, the emergency was over. Inspector Everson, however, retired on a pension of fifteen hundred pounds sterling a year.

The taipans, one may surmise, patted their Councilors on the back and told them what a good job they had done. Law and order had returned to Shanghai—the city with the nine lives had recovered fast. The foreign trade went up to colossal new heights as soon as the general strike had collapsed, and the old sanguine spirit was back again. Down at the foot of Nanking Road, where it hit the Bund, Shanghai’s first skyscraper was going up, the Sassoon House, which was to mar the well-balanced skyline ever thereafter. Up on Rue Cardinal Mercier, on the site of the old German country club, the French were building a new house for the *Cercle Sportif Français*—the “French Club”—which was to form a new social center for the younger, smarter set. Hopes were up again.

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But the Chinese had not forgotten; and they saw to that the foreigners did not forget either. Labor was well organized by now. There were three hundred and twenty unions in Shanghai, and sporadic strikes reminded the Japans that not everything was quiet on Shanghai's industrial front. New Russian agitators had arrived in the Settlements with fresh orders from Moscow. The Kuomintang government in the south had developed unexpected vitality and held the whip hand over Shanghai's proletariat.

But it was not the unruly coolies alone who might, one more, take action. The five Chinese gentlemen who had been admitted as advisers to the Municipal Council had resigned shortly after the "massacre," in protest. Now, a new campaign for Chinese representation on the Council began; Chinese of all classes and groups were back of it, and a strongly worded manifesto was submitted to the foreign ratepayer "Racial equality," it said, "is absolutely essential to the success of co-operation between foreigners and Chinese in this cosmopolitan city."

The foreign ratepayers, with the shock of the "massacre" still in their bones, decided that the time had come to admit three Chinese members to the Council, as full-fledged, responsible Councilors. Although the Chinese were putting up the greater part of the municipal tax income, the average Chinaman was paying only 1.75 taels a year, compared to the average foreigner's 27.00. Three out of twelve Councilors should be a fair proportion. Mr. Fessenden, Council chairman, made a well-turned speech in the annual Ratepayers' Meeting, in which he said: "We do not fail to appreciate the fact that the day will come when all Chinese territory will be under Chinese control—when Shanghai will be a great cosmopolitan city, the nerve center of China's foreign trade. But we believe that our Chinese fellow citizens are no less anxious than we ourselves that that end should be

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obtained by evolutionary rather than revolutionary means.

That was strong language for a Council chairman, and the Chinese should have been happy to hear it. They were not. But this, surely, was not Mr. Fessenden's fault. The events of May 30th had forced nationalistic China into a united front against the foreign devils. The high command of this united front was in Canton, where radical elements were rapidly increasing their influence on the Kuomintang government. It was too late for empty promises. The Chinese, for once, was thoroughly averse to “evolutionary means.”

Inconspicuously a number of wealthy Chinese were already leaving Shanghai, which suddenly appeared unsafe. And those foreigners who were able to listen in on Chinese conversations gathered that trouble was ahead—plenty of trouble. Some of the loyal boys and coolies, in fact, told them so in pidgin English, with blank faces. Talk of another massacre, a massacre that would leave no white man in this unholy city, was going about.

CHAPTER IX

The General Sells His Soul

AND then, one day in the hot summer of 1926, that distant rumbling could be heard again. It came from Canton, in the south, where the steam roller of the Nationalist armies was slowly beginning to move. Fragmentary, alarming news was reaching Shanghai. A young general, one of Sun Yat-sen's trusted lieutenants, had been put in charge of a northern expedition. His military record was brilliant. He had received his first harsh military education in Tokyo, had joined the Japanese 13th Field Artillery for realistic practice, had excelled in personal bravery in the battles of China's revolution, and had fought his way up to the directorship of Sun Yat-sen's military academy at Whampoa. There, he had trained a crack officers' corps, and the officers' corps had trained a crack army. At the head of this army the brilliant young general was now marching up north, to conquer the rest of China for the "National" government of the Kuomintang. The Shanghai taipans read about that ominous expedition in their morning papers and, between two bites of toast, they tried to remember the general's name: Chiang Kai-shek.

Things happened swiftly and precisely. This was more than the customary show, the fight of one war lord against the other. The Kuomintang had nation-wide affiliations, and the general's advance was watched with feverish interest by young and intelligent Chinese in Hangkow, Nanking,

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king, Shanghai. Province after province he took in his stride. When he was not besieging walled cities or talking terms with provincial governors, he traveled ahead of his army in a special train. And in this train a grotesquely heterogeneous group of people kept him company; there was his good-looking wife, whom he had married when he was only fifteen and who followed him, with their little son, into this dangerous and most uncomfortable adventure. There was Mikhail Mikhailovitch Borodin, who wore whites and who still had to wipe the sweat of his ponderous forehead every so often. His fat, easy going wife was with him, in an impossible long linen dress that was neither Chinese or foreign. And there was, finally, a lean fellow with a sinister face and a mustache, who had joined the expedition as a military adviser and who called himself Galen.

Wherever the general stopped, he found the ground prepared by secret agents, Russian and Chinese, who had stirred up the masses of factory hands, peasants, coolies. They greeted him as the national hero of a free China. They had been told about the program of the Kuomintang, about its termination to chase the foreign devils off China's sacred soil, and they liked it. Wherever the general went, his soldiers fell upon the schools, the hospitals, the churches, and foreign missionaries fled in pale horror. They arrived in Shanghai; the taipans listened to their stories incredulously. It was with the missionaries, a steady stream of money, Chinese money, had begun to pour into the safe vaults of the International Settlement: things, apparently, were as serious as they sounded, out there.

The steam roller crushed city after city. Soviet governments were set up. Foreigners were attacked, their belongings seized, their homes occupied. Chilling anti-foreign posters were again stuck up upon mud walls. Britain, America, and Japan, the three great "capitalistic and imperialistic"

nations, were singled out as the foremost enemies of the awakening China. More than that, the Nationalists made no effort to conceal their deep-seated hatred for Christianity. And with growing concern, the taipans watched the "Reds" advance toward the thickly populated regions of the Yangtze Valley.

The steam roller crossed the Yangtze above Hankow. It did not stop. Hankow was taken. The "Chicago of China" was in the hands of the National Government—Nanking and Shanghai were at its mercy. At Hankow, the British had a concession, and the fate of this concession was important. Would the Nationalists proceed with the realization of their foreign policy which called for the immediate abolition of "unequal treaties" and extrality? Hankow had become a test case. The taipans watched it, spellbound. They were next.

And their worst fears came true. There was an anti-foreign riot in the British concession at Hankow, and Nationalist troops moved in and occupied it. They sat down squarely and made themselves at home.

That was on January 3, 1927. The taipans cabled home for ships and troops. They clamored for a British ultimatum, for "action swift and resolute." They tried to bring the government in London to its senses before it was too late. They exploited all possibilities of the grapevine telegraph. They shouted for another Opium War. "When groups of Chinese like those whose adherence Comrade Borodin has bought, declare war on us, we should have the courage to admit to ourselves and to one another that we are facing war," editorialized the *North China Daily News*. "When they are moved by a wholly unreasonable hate of us, born of a sense of failure in the arrangement of their own affairs, of a bitter jealousy of us, and not by any real pride in traditions of success, to stir the riff-raff against us, we ought to have the

nest courage to call it Boxerism with Russian technique and quit babbling about the awakening of the new nationalistic spirit."

But the British Government which was constantly heckled and attacked by its Labour M.P.s, was not in a position to quit babbling. Its representative in Hankow, Mr. O'Malley, had started negotiations with the Nationalists who were still in physical possession of the British area there. There was talk of a rendition of British rights. The National Government, encouraged by so much indulgence, presented its viewpoint with unprecedented audacity: "The question is not what Great Britain and the other powers may wish to grant China to meet 'the legitimate aspirations' of the Chinese nation, but what Nationalist China may justly grant Great Britain and the other powers whose regime of international control is now definitely sharing the fate of all historical empires of political subjection. . . . The British, having defeated China in the Opium Wars, deprived her of her independence. Englishmen of the present generation born since that dark transaction may not remember. But Nationalist China, with the old iron of defeat in her flesh, must not forget to remember."

"The British in particular," blazoned the National Government from Hankow, "must now understand that the exigencies of the present revolutionary situation are handing over the protection of foreign life and property to a government that derives its authority from those in whose hands it entered the power that can paralyze the economic life of foreign nationals in China."

The power that can paralyze: this warning, more than anything else, drove home to the taipans the immediate peril of the situation. They were getting nervous now. A British concession, similar in its structure to the Settlement at Shanghai, and only six hundred miles up the river, had

fallen into the hands of uncouth Chinese. The British Government, instead of moving its gunboats up the Yangtze and shooting hell out of those lawless bandits, was talking terms with them. It was thinking of handing them the Hankow concession on a silver platter, just to please them. The implications of such a "criminally obstinate refusal to face facts" for Shanghai were too obvious to be even mentioned. Britain, the taipans knew, would have to act, would have to act quick, if she wanted to save Shanghai and the vast British interests there.

But the British Government was in no hurry to fight another war for Shanghai. The Shanghai morning papers carried a speech by Sir Austen Chamberlain which made some of the taipans go to their offices breakfastless. "We realize no less than the most patriotic Chinese that the old treaties are out of date and we have long felt the necessity for a change." Was this a British Foreign Secretary speaking? "We have no intention to hold Shanghai if we can obtain satisfactory assurances. . . ." And on the 19th of February, Mr. O'Malley, acting on behalf of His Majesty's Government in the United Kingdom, signed an agreement which gave Hankow to the Chinese, British concession and all.

The same day, the Nationalist advance on Shanghai began. As they always did, the Nationalists had sent their political agents ahead in the path of their army, preparing to take the city "from within." A general strike broke out which had the avowed aim of facilitating the capture of Shanghai by the Nationalist armies.

Shanghai raised its bristles like a porcupine. The advancing armies of the enemy were not going to find the Settlement undefended. The Volunteer Corps went into action. Britain, while still talking "peace pidgin" with China, had sent an expeditionary force—the largest British force ever to go out to Far Asia—to avoid incidents as they had occurred

other cities. The United States had despatched all the men and ships she could spare from the Philippines. Large contingents brought the Shanghai defense force up to twenty thousand men—one of the most formidable international armies ever assembled anywhere. The entire foreign city is transformed into an armed camp. Barbed wire barricades surrounded the Settlement, and the foreign troops, in their endeavor to establish the highest measure of safety, went far beyond its boundaries, occupying outposts five miles away. A tremendous semi-circle of armed men was thrown around the city, reaching from the North Station down through Lungjao Road to Siccawei. The British, who had most of the men and most of the guns, were taking most of the risk. A hundred and twenty-five warships rode at anchor in the Yangtze.

The Chinese sections of Greater Shanghai fell to the Nationalists without much gunfire. General Hsu Lang-hai, in command of the Peking troops who guarded the native city, had been ordered to hold out against them for 750,000 Chinese dollars. He had not received the check, and so there was a little fighting around the North Station when the Nationalist army arrived, on that twenty-second day of March, 1927. Refugees were pouring into the Settlement. The crisp crack of two or three machine guns could be heard in the offices of the Bund. But the Peking armies had fled within a few hours, leaving the Chinese city to the Nationalists. When the Chinese police were so anxious to greet their new masters as plain, peaceful civilians that they tore their uniforms off as fast as they could and threw them into the dark waters of Soochow Creek. The Kuomintang flag, showing a white sun in a blue sky, had appeared, mysteriously, all over the Settlement and the Chinese city.

And the foreign soldiers stood by their guns. Six airplanes were stationed on the recreation grounds, ready to take off. Would the Chinese try to push into the Settlement, as they had pushed into the British concession at Hankow? Alarming news came from Nanking, which the Nationalists had taken on their way: an excited mob had thrown itself on the foreigners there, had shouted death to the foreign devil and had killed some of their number. Foreign warships had been forced to shell the city. Would the same thing happen in Shanghai?

Chapei, the Chinese community to the north of the Settlement, had been given over to burning and looting for full two days. The refugees who managed to escape into the Settlement told tales of horror. This army of occupation seemed to have no leader. They had conquered the greatest port of the continent almost effortlessly, and they celebrated the event with a wild and quite Asiatic orgy.

Behind their barricades Shanghai's twenty thousand soldiers stood pat.

Then, the generalissimo arrived. He arrived on a long gunboat, unheralded. And it was as if a cool shadow had fallen upon Shanghai—one of those shadows that might suddenly darken a bright spring day. Who was this Chiang Kai-shek and what was he up to? They knew so little about him. Was he a bolshevik? A bandit? All they knew was that he was a brilliant soldier, that he spoke no English, and that he hated the foreigners. Would he try to take the Settlement?

The taipans had become used to the distant rumbling in China's unexplored entrails. They had become used to occasional wars being fought right at their doorstep. The dangerous and altogether unfathomable mind of four hundred million Chinamen had to be reckoned with—they knew.

But heretofore, throughout the last eighty years, it had

an anonymous, quite amorphous power that was pressing on Shanghai. The Manchus, the Taipings, the Boxers: their names had stood for groups and for ideas; they had used that most fearful weapon—a man who could lead. Here, for the first time, China vast and unknown, had produced a leader to challenge the taipans. Had he come to it out with them, at last?

Chiang and the taipans were facing each other across the barricades, silently. The air was electric. The taipans knew that a single shot, a stray hand grenade, would set off the explosion. They knew that they were not facing, across the barricades, a horde of inexperienced peasants. They were facing a proven army. But a cablegram from London told them that the British Government was not going to surrender Shanghai. The Nanking outrages had changed its policy "betrayal" just in time. If that single shot, that stray hand grenade, should set it off, the taipans would fight. They would put up a battle royal, with the full backing of their respective governments.

But nothing happened. Red rule had been established in the Chinese cities of Greater Shanghai. A Commune was functioning in Nantao, a Soviet system in Chapei. In Hangchow, which was now the seat of the Nationalist government, communists and trade unions ruled supreme, wired their orders to Shanghai. Rumors that Chiang Kai-shek was tired of their whims, that he wanted more power for himself, got up. And the generalissimo was still sitting there, on the wrong side of the barricades, contemplating the Settlement with its banks, its ships, its vast stores of silver, its warehouses brimful of goods, its limitless wealth of customs revenues and taxes—Asia's most tempting prize. He was still sitting there, contemplating it.

Some newspaper reporters ventured beyond the barricades, into the Chinese city. They managed to see the generalissimo

but found him terse and testy. He told them frankly, through an interpreter, that barricades were something the taipar might use against the savage or semi-civilized natives in their own colonies. To use them against Chinese was an insult to his race. After that he dismissed the reporters.

The generalissimo was taking his time. It felt good to be back in Shanghai again, after all these years. He was looking around, with those metallic, shifting eyes, and he recognized it—"his" Shanghai.

Maybe he was thinking back to those troubled days in 1911, when he had left the military school in Japan (disguised, so that the gendarmes could not find him) to join the Chinese revolution—right here in Shanghai. Maybe he thought how thrilling it had been to work under Chen Chi-mei, the glamorous boss of Shanghai's underworld. The revolution had consisted of conspiracies rather than of fighting in those early days; but whenever there was a daring *coup de main*, such as the surprise attack on the Shanghai arsenal, Chiang had been in the thick of it, always foolhardy, although not always victorious.

Those had been the most turbulent years of his career he never talked about them. He had trained raw recruits for the revolution, had founded a society with the exclusive aim to raise funds for an underground revolutionary army, had published a military magazine and had filled its columns with his own articles on China and the rest of the world. Then, he had withdrawn from the scene of battles and intrigues to become a modest stock broker's assistant somewhere in the Settlement.

It had been as a stock broker rather than as a soldier that Chiang had seemed to be successful in Shanghai. Chen Chi-mei, his sponsor, had been assassinated. But Chang Ching-kiang, the rich curio dealer and financier of the early revolution, had taken a liking to the ambitious young man. He

d backed him with his money, and Chiang had gambled avily on the Gold Bar Exchange—with amazing success: he d cleared a fortune in less than a year. But he had con- ued to gamble and had lost it all, and thirty thousand llars more. And old Chang Ching-kiang had given him : thirty thousand to pay his debts, and he had also given n a letter to Dr. Sun Yat-sen with the remark that he ght find more satisfaction in the military field than in : market.

But during those wild and fidgety years, Chiang had estab- red one connection that should prove of immense value his later career: he had been initiated into the Shanghai derworld, had taken the oath that bound him in loyalty its mighty leaders—and that bound its mighty leaders in alty to him, for a lifetime. For such were the laws of that at and powerful gang, the "Greens."

iang Kai-shek had only three thousand men of his own ck army in Shanghai. Borodin and the others in Hankow parently expected him to pay his soldiers out of Shanghai's enues. But how could he get hold of the revenues as long he remained outside the Settlement? He was short of ds. He called a meeting of Shanghai's Chinese bankers. asked them to discuss the possibility of raising funds for : National troops. The bankers met at the Chamber of mmerce. They drank uncounted cups of green tea and ked it over. After several hours they got up and said no. ey did not want to deal with a bolshevik. And the temp- ion to concentrate a hundred thousand troops, to arm and bilize the mob, to sweep across the barricades and to lay ds on the silver coffers of the Settlement, this temptation d become a necessity.

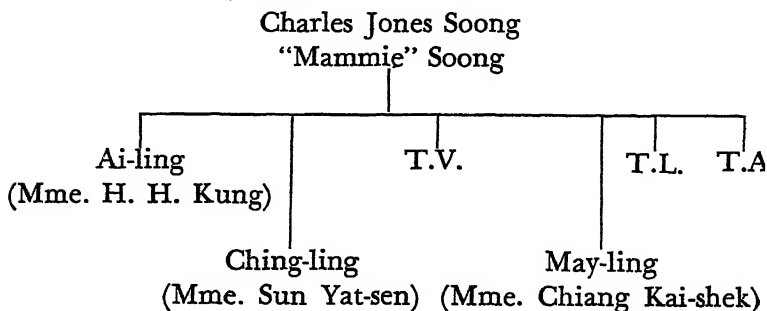
But Kuan Ti, the god of war and peace, looked down on Shanghai and did not want to see it fall just yet. He

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was a red-faced and rather tallish chap, and he always carried his broad sword; for seventeen hundred years ago, in the time of the Three Kingdoms, he had been a mighty general. He solemnly discussed the matter with his son and with his adjutant, and he remembered the age-old Chinese wisdom that the joy of destruction grows with the size of the thing one destroys. He decided to let Shanghai grow bigger still. He was a Chinese and he could wait.

And Kuan Ti, the god of peace and war, despatched a man with horn-rimmed spectacles from Hankow to restrain the generalissimo.

The Soongs had come from nowhere. They did not trace their family tree beyond their father and mother—a strange and unusual thing for a Chinese family. And with the pride of self-made men, they used for their name the character of the Sung Emperors who had seized the Chinese throne a thousand years ago and had sat on it for more than three centuries. No one ever knew whether it was their real name. Their father “Charlie” Soong, who had gone to America on the clipper *Colfax* in 1879, had probably assumed it, because he had to have some name. Peddling hammocks, he had made a modest living in Dixie and he had gone back to China as a Southern Methodist. He had started printing Bibles and had become prosperous.



THE GENERAL SELLS HIS SOUL

Charles Jones Soong had met Sun Yat-sen when the Chinese revolution was still in its infancy. The two men, whose educational background was similar, had spent much time together, planning a better China. Soong was one of the first to congratulate Dr. Sun on his courage when the young revolutionary had traveled all the way up to Peking to "discuss" his ideas with the crimson-clad officials in the Forbidden City. Soong was one of the first to console Dr. Sun when he had to flee Canton in a basket lowered over the high city walls. Soong was the one to tell his impatient friend to come over from Japan and start an armed revolt.

If Dr. Sun was always in danger of being carried off by his idealism, "Charlie" Soong had more of a realistic strain. He served the Doctor not only as friend, but also as secretary and treasurer. When funds began to pour in from patriotic Chinese overseas, Soong collected and administered the money which was to finance the Chinese revolution.

It had been one of the first Soong's ambitions to raise his family in the spirit of the West, which he admired. He had three daughters and three sons; each of them received a thorough education. The father sent them to schools and colleges in the United States, as other Shanghai families of the compradore class might have done.

The link which tied the Soongs to Dr. Sun and to the Chinese revolution was made more permanent and more intimate when the Doctor married Ching-ling ("Happy Mood"), the second of the sisters. Ching-ling felt honored by this choice rather than overcome with joy: Dr. Sun was much older, always absorbed in his studies and schemes, and already married to another woman. But Ching-ling sacrificed her youth and shouldered the heavy responsibility which was to be hers from now on. She became Mme. Sun Yat-sen.

Her elder sister, Ai-ling ("Pleasant Mood"), had become

Dr. Sun's secretary. In Japan, where she shared his exile with him, she met Dr. H. H. Kung, a Christian and graduate of Yale University. Although Kung was only a secretary of the Y.M.C.A. at that time, he was a promising youngster. Besides, he belonged to one of the most distinguished Shansi families, which had owned chain stores and pawn shops in that flourishing province for a number of centuries. He boasted of the oldest lineage in all China—being the seventy-fifth descendant of Confucius, Master Kung.

When Ai-ling married him, she did not anticipate her husband's extraordinary career. But friends believed that her energy combined with his business instinct and inherited wealth would make a combination that would be hard to beat. Ai-ling, as the eldest, was to take the helm of the family ship and to formulate the sound and exceedingly realistic Soong policy. She liked to pamper her little sister, May-ling ("Beautiful Mood"), the Wellesley graduate, who was still unmarried.

Tse-vung, the oldest of the three boys, majored in economics at Harvard University in 1915. He shifted over to Columbia for post-graduate work and did clerical jobs with some American firms, including the National City Bank. Then a Chinese import house transferred him back to China, and Mme. Sun Yat-sen, his sister, recommended him for a job with the Canton government. His American training would come in handy.

As an experiment, the boy was put in charge of the finances of the Kuomintang. It was not much to be put in charge of, to be sure. The little army was in constant need of pay, provincial revenues were lagging way behind, most of the tax money remained in the pockets of minor officials, the bank notes were handled at a terrific discount in the Shanghai market.

But "T.V." (as everyone called him) made good in a most

spectacular fashion. He raised the value of the Canton banknotes from 40 to 100. He brought the provincial revenue from one shabby million up to ten million dollars. In less than two years he multiplied the government's income by twelve. He unified the tax system, he hired spies to prevent corruption. He became indispensable and most unpopular. At while the officials hated him because he was "obsessed with strictness," they had to admit that if T.V. should leave Canton for a single day, the Central Bank would have to put its windows. T.V.'s personal credit had become the credit of the Kuomintang government. In 1925, he assumed full control and responsibility as Minister of Finance.

It was still the time of the war lords. There were soldiers everywhere. But wars were fought with money rather than with men, especially the civil wars of China. Those tuchuns who had succeeded in subjugating a province or two, failed in bigger enterprises for lack of funds. The finances of China were completely disrupted. And China's generals knew that he who commanded a sound financial system could climb to power.

Thus Chiang Kai-shek and T. V. Soong rose together, the one in charge of the army, the other in charge of the funds. Their tasks were complementary. Chiang, with T.V.'s money, developed a crack army, T.V., with Chiang's army to protect his tax collectors, could keep the treasury intact. Whether the two particularly liked each other it was hard to say. Which of them was the abler, depended more heavily on the other, it was impossible to decide. In looking back at those early days, one might be tempted to state that T.V. had the pick of the generals, but that the general had not the pick of the financiers: there was only one T.V. But this conclusion, despite its simple logic, remains unsatisfactory. In temperament and background, the two young men were utterly different. Chiang was the revolutionary, easily

aroused, thinking with his heart, given to rapid moves. He was a Chinese through and through, as his farmer ancestors had been Chinese, unspoiled by Western ways of thinking; he hated foreigners and foreign ways. T.V. was a compradore, essentially. He was an alloy of Chinese and foreign components, a hard and heavy alloy. He represented, perhaps, the highest possible development of his group which had risen in the gap between the Chinese and the taipans. He was the last of a short-lived tribe: there was no future. The brain that was working beneath that short black hair was able to make the symbiosis of the Chinese and the Westerner a success—for one generation.

But while Chiang and T. V. Soong were different in their ways and attitudes, while they clashed every other week and while they could argue for hours, they had one thing in common: the spark of genius.

Now, with the generalissimo lying low outside the International Settlement, ready to charge, the time had come for T.V. to smooth things out. He arrived in the very nick of time. He had financed this expedition, had laid the solid foundation for the victories, and he had followed behind Chiang, reorganizing the financial systems of captured provinces. In Shanghai, his task was not so easy as this. He went into conference with the generalissimo, argued with him, brought him to his senses.

He convinced his impetuous friend that he had already won the final battle, that his victory was decisive—if he was wise enough to turn the situation in his favor. Taking the Settlement? He could have it for the asking. He could have China for the asking, if he would only listen. And T.V., with the professional deftness of a compradore, developed his scheme.

Chiang had just been rebuffed by the bankers, had he not?

Only a fool could think that the bankers would co-operate with a radical. But he needed the bankers, and he did not need the radicals. If he could give the bankers certain guarantees, if he could promise a stable, moderate form of government, he could have all the support he wanted. There was no objection to his being a nationalist, to be sure. But he would have to shed his Marxian affiliations, and to emerge as a neat, duty-conscious, law-abiding citizen. He would have to ignore his "superiors" in Hankow, he would have to defy Borodin and his Reds. T.V. would see to it that the Kuomintang survived the shock. He would personally go to Hankow to straighten things out.

But what about Peking, inquired the generalissimo; was he not going to drive on with his northern expedition, to wrest the old imperial capital from the hands of the "Militarists"? Was he not going to unite China?

At this point, T.V. produced the balance sheet of this northern expedition. He had raised a hundred million Chinese dollars, so far, and they had spent it all. Why not pause for a while and settle matters diplomatically? His brother-in-law, H. H. Kung, could go up north and arrange things with Feng, the Christian General, who was his old friend. Meanwhile, the generalissimo could consolidate his position in the Yangtze Valley.

The moderate element in the Kuomintang would follow them, T.V. argued. The "Western-educated students," the sons of the compradores, were already devoted to him. The Kuomintang was largely made up of the rich farmers of the south, the merchants of the port cities, the industrialists, the petty bourgeois. They were Chinese, and it should be easy to turn them against the Russian emissaries who, after all, remained foreigners on Chinese soil.

But Chiang Kai-shek, suddenly, balked. If he followed T.V., if he took his clever advice, he would betray the Revo-

lution, would sin against the spirit of Dr. Sun Yat-sen. Whereupon T.V. glanced at him calmly through his horn-rimmed glasses—and it is safe to assume that he answered with the Chinese equivalent of “So what?”

A nineteen-year-old girl shouted something in a street of the Chinese city of Shanghai. Soldiers popped out of the shadows, closed in on her, grabbed her arms, marched her off to the execution grounds. A few people in long blue cotton gowns looked on in awe. But if you would have stopped one of the soldiers and asked him what she had shouted, he would only have shrugged his shoulders and replied, with a blank face, “What all the Reds are shouting: ‘Down with Chiang Kai-shek.’”

The generalissimo had taken the compradore’s advice. But he had not carried out his scheme with the diplomatic restraint that T.V. Soong envisaged. He could not act slyly—nor slowly, for that matter. If he was to betray the Revolution, if he was to turn against his Communist friends, he had to do it with that swiftly striking fury that was part of his temperament. He had denounced the Hankow government. He had swooped down on Shanghai’s trade unions and Communistic organizations with merciless brutality. He had called in his old friends, the leaders of the Shanghai underworld, the “Greens” and the “Reds,” and he had obtained the invaluable assistance of their all-powerful gangs.

Rebellious foremen, uncompromising agitators, revolutionary students disappeared. In dark and quiet alleys, automatic revolvers went off. In full daylight, Communist headquarters were attacked. The death toll mounted rapidly. Murder was cheap in Shanghai—it cost ten Chinese dollars per head, to be exact. In the stuffy cells of Chinese police stations, young people were tortured, beaten into unconsciousness.

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A reign of horror had begun. The generalissimo meant business.

And it worked. For all his bloody brutality, Chiang Kai-shek won the heart of Shanghai—"his" Shanghai. He tooled from "Ningpo More Far," or rather from a small village very near that city. Shanghai's proletariat, a hundred thousand shoves and sweeps and stoops and pullers, had come from that same neighborhood. He was of them. They had followed the radical students as they would follow anyone who told them that he had come to mitigate their hardships. But they were ignorant and, in most cases, illiterate. Their communism was skin-deep. With their leaders dead or in flight, whom should they follow? Chiang found no difficulty in gaining their confidence.

The traders, merchants, compradores rallied behind the man who had dispelled the Communist nightmare before their very eyes. The Chinese bankers, who had said "no" a few days ago, were delighted to say "yes." Without delay they advanced three million Chinese dollars—the sorely needed pay for the generalissimo's army—and promised more. To be the first to follow, he was going to lead a new Nationalist government, he would depend on their enthusiastic support. And Shanghai's Chinese intellectuals, small shopkeepers, and even the students, were carried away by the new spirit of optimism and confidence.

The taipans who had watched the generalissimo from behind their barricades were baffled. It was hard to guess the reason for Chiang's sudden change of heart. They did not know of the scheme behind his surprising move, had no inkling of what T. V. Soong had told the generalissimo. And the taipans agreed on the explanation which was most convincing under the circumstances: Chiang had not attacked the Settlement because he was afraid. Shanghai's twenty thousand soldiers had frightened him into submission.

Thus, Britain's expeditionary force reaped the sole credit for the preservation of peace. So grateful were white Shanghai residents of other nationalities that they expressed their thanks in a special note to the British Government: "If the British troops had not arrived when they did, we should now all be in an extremely uncomfortable and dangerous position. Great Britain has again given the lead to the whole civilized world." More than two thousand non-British signatures were affixed to the note.

As to Chiang's anti-Communist coup, the taipans were pleased. But they were business men, and they had to wait and see. If Chiang was going to be able to suppress Red propaganda, well and good. But that still did not make him a friend of the taipans; he was "too damn' nationalistic."

Maybe it was something on the conscience of the taipan that made them still withhold their applause. They had been confronted by a "damn' nationalistic" China for some time now. And the concessions they had made were still negligible. They had surrendered the Mixed Courts, in which foreigners had assumed jurisdiction over Chinese after the Revolution of 1911. A Chinese district court had begun to function in the Settlement, with appeals going to the High Court of Kiangsu Province, and to the Supreme Court of China from there. Chinese judges applied Chinese law in cases that concerned the million Chinese citizens in Shanghai's International Settlement; they had "sole charge of the Court from the front door inwards." But that was just about all. The three Chinese Councilors had not yet joined the Municipal Council: their actual appointment had been delayed because of the troubled situation. Municipal parks, the only cool oases in the boiling city, were still closed to Chinese men. It was still the old spirit, the spirit of the Taiping days and of the Boxer days.

Now, with the generalissimo bidding for a new united

China, the taipans remained skeptical. There had been more than forty different cabinets in Peking during the last fifteen years. Nine different parliaments had convened. Eight different war lords had held the highest office there. And if they came to think about it, it had not done much harm to Shanghai. . . . Some of the taipans, no doubt, would have liked to see China slide back into civil wars and chaos. Some of them, no doubt, hoped that Chiang would fail. "Show us what you can do," said the *North China Daily News*, "take what time you please, one year, two years, or more; take what place you please, Hankow, Canton, Nanking; organize a government in that place, convince us that that government rests on proper departments, that it has a budget, a police force, the ability to maintain peace and execute justice. We know you can pull down; prove to us also that you can build up."

Chiang Kai-shek did it. He chose Nanking as his capital and established a new, non-Communitic, National Government. Northwest over the long imperial road of exile, back to Russia where he had come from, went Mikhail Mikhailovitch Borodin. Back to Russia went that sinister-looking fellow, Galen, who was to become, as General Bluecher, commander-in-chief of Russia's Far Eastern armies. In Peking, where H. H. Kung had helped in establishing the generalissimo's influence, the Soviet embassy was raided. Compromising documents were found and published. And Shanghai's Chinese bankers were more willing than ever to support the Nanking government.

This was an embarrassing situation: there was still the shadow of a government at Hankow; and there was the shadow of Chiang's own new government at Nanking. The shadows needed blood to come to life. They needed the financial genius of T. V. Soong. But the only man in China who held the secret of success had disappeared from the

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political scene. He was sitting in his luxurious home on Rue Molière in Frenchtown reading the classics. His doorbell rang constantly—envoys from both governments came to plead with him, asked him to take the job of Finance Minister. He made polite excuses. He wanted to wait and see what time would bring. . . .

But the only thing the generalissimo could not do was wait. His impetuous temperament got the better of him. His patience snapped. He resigned brusquely, cut his connections with the government, threw his responsibilities overboard and went abroad. He told the friends who had come to see him off at Shanghai, that he was going to Japan. Maybe he was going on to the United States and Europe. He did not know yet.

It was at this point that the Soong family went into a very serious and important conference. Some vital questions were brought up. If Chiang Kai-shek was going to drop out of the picture, the Kuomintang would cease to exist. The crack Cantonese army was going to become the prey of war lords, China was going to disintegrate once more. The tide upon which the Soongs had just begun to rise to significance and power would ebb, never to rise again. It was the end of the Revolution—and worse than that: the end of the Soong family. But if Chiang should come to regret his rash decision, if he should be willing to resume his office, would the Soongs be able to trust him? Would the ambitious soldier replace the Communist rule with a military dictatorship of his own? Would he interfere with the fortunes of the Soongs?

Madame Kung, the senior sister, the shrewdest and the most highly respected within the family, spoke up. And she is credited with the most incisive and prophetic of remarks: "We Soongs can make much of this man."

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Chiang Kai-shek did not go on to America and Europe. He was recalled from his convenient exile in Japan, and he turned willingly. It so happened that he arrived at Shanghai the same day T.V. arrived there from Hankow where he had talked to the Communist shadows. It was a chilly day in November, 1927—a good day to spend indoors. And there were a great many things T.V. wanted to discuss with Chiang, but he was right away.

The gray November sky turned into a smudgy purple, and then into black. And the two were still talking.

On the first day of December, Chiang Kai-shek married his wife May-ling Soong, Wellesley '17. It was an important occasion for the Soong family, for May-ling was the youngest of the three sisters, the last to be married. There were no Christian rites, in the good old compradore tradition, and, since Chiang had refused to become a Christian overnight, there was a Buddhist ceremony also. (He had promised the Soongs to study Christianity, but it was not till three years later that he shocked some of his oldest friends by being baptized.) Chiang's brave and homespun first wife had gone back to her village, forgotten.

And thus the great and mighty compradore dynasty of the Soongs was born. The only man in China who could master modern army and the only man in China who could master the financial chaos had become brothers-in-law. The doctor's widow added the monumental background of the revolution, and the domineering banker's wife had found the opportunity to amass incalculable wealth. Even T.L. and J.A., the youngsters, were to find strategic positions in the government. And charming Mme. Chiang, on the side of a soldier who spoke no English, became the first great female compradore. In greed and might and glamour the Soongs were to rule, for the next ten years, over China's four hundred million—as glorious and imperial a family as the Borgia.

The fate of the Chinese Revolution had been decided at Shanghai. The Soongs possessed the key to the silver coffers of the Settlement, and the generalissimo had betrayed the Revolution and joined the clan of the Soongs. Some of his friends have never forgiven him. Among them, strangely enough, was sister Happy, the widow of Sun Yat-sen. She exiled herself in Russia, saying that the Soong family was made for China—not China for the Soong family. Among them, also, was his son, who came back to China, years later, with the generalissimo's half-Russian grandson. But Chian had made his deal with the Soongs without illusions and without reservations. For their sake, he had cast off his friends, his wife, his convictions, and his religion. He had sold his birthright. And in return, the Soongs had given him a very precious thing: power.

CHAPTER X

The Horde

WHEN the storm of 1927 had blown over, Shanghai stood out against the blue sky of an early Chinese spring, bigger and richer than ever. Money and men, fleeing before the Revolution, had found a safe asylum in the Settlement. The country's silver was clogging the Shanghai vaults: there had been forty million Chinese dollars' worth of silver there at the end of the Great War; now, after the Great Revolution, the amount had swollen to over two hundred million. The silver remained there, in the banks along the Bund, and hatched. And Shanghai grew richer.

The sky was clear, the air was brisk and full of hope. The coolies were working again, there was no fear of labor trouble and sudden strikes. The Nanking Government reserved the right to regulate labor conditions, and under the white Kuo-mintang sun, the disagreeable unions were fading. The ugly red flag at the foot of Soochow Creek had disappeared. It had been hauled down a fortnight after the generalissimo's wedding—the new government had no diplomatic relations with the Soviets, and the Russian Consulate was locked up and quite deserted. And at No. 3, The Bund, you could see cheerful faces again.

In the development of the metropolis, Chinese capital was having an increasing share. Sitting on the solid lid of one of his silver chests, many a Chinese banker had traveled to

Shanghai during those troubled days of the Revolution. New Chinese banks had been organized in the Settlement. They had been meticulously careful with their investments, and even more careful with their credits. They emerged solid and with much ready cash. There were one hundred seventy Chinese banks in Shanghai, and they had become an indispensable help for the taipans. They were the nucleus of the compradore community; their affiliations reached far into China's interior.

If you had troubled to look up one of the Chinese bankers you might have found it difficult to locate his office. It was an inconspicuous building, in a side street of the Settlement. You handed your card to a boy in a long cotton gown, and he showed you into the reception room. The reception room looked as if it had never been used. There were white slip covers on the over-stuffed chairs and on the sofa. The table was covered with a tablecloth of old-fashioned design, and the boy put a cup of thin green tea and an ash tray on it while you waited for the banker.

The banker entered the room through a door that you had not noticed before. He wore a dark blue gown of shimmering Chekiang silk, below a short black silk jacket with long sleeves. The boy brought another cup of thin green tea for the banker, and he told you about his business. He told you that he did not command much liquid capital, that he was an insignificant cog in one of the big wheels of Shanghai, a modest broker for the foreign taipans. But he had his share in financing their trade. There were the cotton firms for example. They imported textiles from Britain, Japan, the United States. They did not want to keep their goods in the godowns too long, wanted to dispose of them as quickly as possible. But the Chinese firm that bought the goods and shipped them into the interior did not have the cash to pay for them. This is where he, the banker, came in. He

issued the "native orders" for his friend, the Chinese cotton merchant, and his friend could indorse them to the taipan.

Or take the tea, take the leather business. The Shanghai firms could pay for most of it with native orders, and the taipans had no trouble loading their ships. He mentioned, casually, that he and his colleagues issued native orders to the amount of more than two billion taels every year.

The banker lit an expensive cigar. Suppose, he said, a Shanghai merchant went to Hankow, six hundred miles up the Yangtze, to buy raw cotton. He would not carry cash, of course, in these troubled days. Nor would he carry any letters of credit, because he was a Chinese, and he shunned the unnecessary expense. He used the simplest and cheapest of all credit facilities, the "Shanghai bill." It was issued by his Chinese banker in Shanghai, and people would cash it all over China, as long as there was a local bank in town. So the Shanghai merchant took his Shanghai bill to the local bank and paid with it for whatever he had bought. Simple, wasn't it?

But in their business dealings with the taipans, how did the Chinese bankers finally clear their accounts? Simple, said your friend, the banker. All the native banks had sizable accounts with the "Bund Banks," the great houses along the waterfront. The amounts deposited there served as security, could be drawn upon to cancel debts. The Bund Banks appreciated the important function of the native banks; they knew that, without their help, the Shanghai trade would be crippled. For the native banking system covered all of China. It was based on personal contacts, had its own personal methods of credit investigation, and it bridged the gap between the four hundred million and the Bund. The native order got the imports into the interior, the Shanghai bill got the exports out. It was a smooth, a very inexpensive, system.

Into the sober reception rooms of the Shanghai bankers stepped T. V. Soong, Finance Minister of the National Government. He, too, had a cup of thin green tea. But he wanted more than information. He wanted money. His government had taken the cities and the provinces. It had established an efficient administration. Its policies were sound: the Kuo-mintang, purged of all radical elements, was still its foundation. And now, with all the groundwork done, the government intended to reorganize its provinces, to give the vast area under its control an efficient civil organization. For this purpose, and for the upkeep of the generalissimo's army, T.V. wanted money.

The Shanghai bankers trusted him. In May, 1928, he got ten million Chinese dollars. It was the first great Chinese loan made to a Chinese government, with no foreign money in it, and the Shanghai bankers had floated it. From now on, T.V. could count on Shanghai, and Shanghai could count on T.V. He spent most of his time in his house on Rue Molière, close to the silver coffers of the Settlement, in steady contact with the bankers. Whenever the generalissimo called him, he flew to Nanking to straighten matters out. And most of these "matters" required cash—more cash for the armies of the generalissimo. Chiang depended, more than ever, on T. V. Soong.

One of the first acts of the Nanking Government had dealt with Shanghai. It had created a new Chinese municipality, a special district which was not subject to any provincial government. An area of three hundred and twenty square miles had been put under the direct authority of the government, and much open space allowed for the development of Greater Shanghai within its new limits. It was a special area roughly comparable to Washington, D. C. The Government reserved the right to appoint the mayor of Shanghai. Whatever should happen to the rest of China, Greater Shanghai

was to remain in the hands of the Government. The International Settlement had become the heart of a colossal Chinese community whose population had reached the three million mark.

But the Soong Government remained a Kuomintang Government, and the Party was committed to the fight against "unequal treaties." Although the Soongs were essentially compradores, and although they needed the goodwill of the taipans, they had to follow a program which demanded the eventual return of all Chinese territory that had come under foreign control.

In the spring of 1929, the Nanking Government, which had been officially recognized by the governments of the world, approached the taipan powers with identical notes, asking for an early abolition of that "anachronistic practice"—extrality. The foreign offices, which had lost much of their interest in the China situation, replied that China had not given, thus far, sufficient guarantees to justify the rendition of this privilege. But the taipans in Shanghai, who did not like to see a repetition of the 1925 and 1927 crises, thought that the time had come for a conciliatory gesture on their part. Already, they had opened the municipal parks—Jessfield Park, Hongkew Park, the Public Gardens, the Bund Lawns—to the Chinese public. Only the coolies were still kept out, by the small fee that was taken at the gates. They had, moreover, admitted those three Chinese Councilors to the sessions of the Municipal Council, and there was even talk of increasing their number to five. Now they decided to go one step further.

The Municipal Council called on the Honorable Mr. Justice Richard C. Feetham, of the South African Supreme Court, to make a legal study of the extrality question and to suggest a solution. South Africa was a long way off, and Mr. Feetham could be expected to be unbiased. It was a

wise move, proving, once more, that the taipans had learnt from their Oriental neighbors. The extraliquity question had become a matter of "face" with the Chinese. Even the compradores at Shanghai and the compradores at Nanking were quite unable to compromise on this point. Their curious position between the handful of foreigners and the four hundred million required that they should be considered the equals of the taipans. And this was hardly possible as long as the taipans were entrenched behind rights that implied the inferiority of Chinamen—all Chinamen. In attaching much importance to the problem and in entrusting so outstanding an authority with its study, the taipans granted the Chinese Government a great deal of "face" and thereby forestalled another crisis. Besides, however, in ordering the independent study, the taipans resumed full responsibility for the solution of the problem. They took the matter out of the hands of their respective governments which might have grown sentimental again and renounced their treaty rights without so much as consulting the taipans.

Mr. Feetham came to Shanghai, all the way from South Africa, and delved into the problem. He put the Municipal Council, the Land Regulations, the Municipal ordinances, the by-laws, the "unequal treaties" under his legal microscope, he interviewed consuls, business men, industrialists, compradores, workers. He analyzed their difficulties and grievances. He inspected factories, attended dinner parties, read history books, and learned how to eat with chopsticks. He finally drew up a very comprehensive report, which the Municipal Council published in four volumes.

The Honorable Justice, like most people with an eye for architectural beauty, had fallen in love with the Shanghai scheme. He was deeply impressed with the durability of the two main pillars: the consuls with their exclusive jurisdiction over their nationals; and the Municipal Council with

its legislative and administrative power over both foreigners and Chinese. His legal mind was intrigued with the fact that the Council, which appointed all the municipal officials and which controlled the municipal revenue, had no means of enforcing the laws it made—fourteen different courts could interpret these laws in fourteen different ways. And yet, despite its constitutional anomalies, despite its flimsy and obsolete foundations, the Shanghai scheme worked, worked to the satisfaction of the taipans.

In his report, Mr. Feetham stated that neither Chinese nor foreigners regarded the present régime as permanent and that "the time will come for rendition of the Settlement when certain conditions have been fulfilled." He envisaged a new system, based on the co-operation of Chinese and foreigners, a system of local self-government propped up by a charter of the National Government. But the transition, he hastened to add, would require a period of decades, not of years. During that transitional period, he strongly advised the taipans to continue with their present "amateur" government.

That report was swept into the waste basket by the strong wind of 1932, before the printer's ink was dry.

One hundred twenty-four thousand bales of cotton yarn were shipped from Japan to Shanghai in 1931. This was but one of the items on the list of Japanese exports to China which had assumed fantastic proportions. Besides the yarn, Japanese textiles and Japanese coal, Japanese paper and Japanese chemicals, an ever-increasing variety of Japanese "sundry" goods were carried by Japanese ships, were dumped into the Shanghai market. It was a twenty-four-hour journey across the Yellow Sea, freights were low and Japanese manufacturers and merchants were satisfied with small profits. Japanese goods were cheap; the Chinese bought them.

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Japan's trade with China accounted for nearly one-third of her total foreign commerce. And most of it was passing through Shanghai.

Japan's investment in Shanghai had reached a billion yen. There were thirty Japanese cotton mills in the metropolis; they had been financed out of the war-time profits of the Japanese industries at home, they were superior in efficiency and equipment to the Chinese mills, their capitalization was sounder. Even the five British mills could not meet their standards. A fleet of twenty-seven Japanese ships was plying between Shanghai and the Yangtze ports, and the shipping firms had their head offices at Shanghai. All the important Japanese houses had established Shanghai branches by now. And above Shanghai, in the Yangtze Valley, Japan held iron works, railways, a land investment company, a machine plant, a paper mill, and the power plants of twenty-four cities.

In the International Settlement, the Japanese population formed by far the largest foreign group. It had grown from 800 in 1890 to 10,000 in 1920, and it had trebled during the next decade. There were thirty thousand Japanese in Shanghai—more than three times the number of the British. To them, Shanghai was not 10,000 miles from home, the trip had not involved so crucial a decision. They had flocked to Shanghai because Shanghai meant opportunity, and because this opportunity was in easy reach of Tokyo, Osaka, Nagoya, Nagasaki. Some of them were taipans, to be sure. They were the heads of the great Japanese industrial or shipping firms, and they had their villas in the residential section of Frenchtown just as the other taipans had. They had Chinese "boys" and Chinese amahs and Chinese coolies, and some of them had brought one or two Japanese maids along who went through the house in their neatly pressed

kimonos, combed the children or searched, with critical finger, for imaginary dust on the grand piano.

But the Japanese taipans never managed to become Old China Hands. The Japanese promotion system prevented that. Their firms would send them to Shanghai today and would make them managers of their New York or Paris branches tomorrow. Few of them stayed longer than two or three years, and that was hardly enough time to make friends. They did make the round of visits when they came; they met the other taipans. There were two Japanese in the Municipal Council, and Japanese and Western taipans met at some of the gala occasions of the year. The Mitsui taipan, who had a number of Japanese cherry trees in his large garden in Frenchtown, invited the Shanghai élite every spring for a cherry blossom party. And the Japanese Consul General gave garden parties on the consulate's lawn by the river. Their Western guests enjoyed those parties, enjoyed their contacts with some of those poised and highly cultured Japanese gentlemen. But the contacts were brief and superficial.

The vast majority of the Japanese remained in Hongkew. There, north of Soochow Creek, they had formed a community of their own—"Little Tokyo." Japanese shopkeepers and small traders lived in Chinese houses that had been transformed into regular Japanese homes. They lived there, squatting on the mat-covered floor, bathing in boiling hot water, leaving their shoes out in the hall. They taught their Chinese "boys" how to prepare *tenpura* and *sukiyaki*, and sent them down to the Hongkew market to get their fresh supplies of Japanese fish and Japanese crabs and soy bean paste and raw ginger and Japanese vegetables—fresh from Kyushu. In their dainty shops, they sold Japanese cottons, toys, phonograph records, bicycles and a great many Chinese things, too. After business hours, Sato-san would go over to Kato-san, and the two might go to one of those little Japa-

nese bars and have a few bottles of Asahi beer. They might go on to a cheap Japanese restaurant and spend the rest of the evening with their favorite geisha girls, Motoko-san and Mitsuko-san, who might tell them stories that were slightly risqué, or play the *samisen*.

Meanwhile, at home, Mrs. Sato and Mrs. Kato would attend to the children, oversee their homework so that they would not be considered less intelligent than Kobayashi-san, the little boy who was their classmate in the Japanese school. On Japanese holidays, such as Emperor Meiji's birthday, the whole family would proceed to the Japanese temple, and for the Boys' Festival, little Toru would get some of the beautiful carp streamers and hoist them on a pole.

The Japanese clerks who were working at Mitsui's or the Yokohama Specie Bank, south of Soochow Creek, took their rickshaws at four o'clock and returned to "Little Tokyo." Many of them lived in apartment houses there. But they ate Japanese food and slept, if possible, on the floor: they liked their comfort.

They formed a cheerful, closely knit community, the thirty thousand Japanese. And although, as a group, they were too poor to have an important share in the administration of the Settlement (Shanghai was a plutocracy), they were well organized among themselves. They had a Japanese Residents Corporation with compulsory membership for all Japanese householders, and a very active "Amalgamated Association of Japanese Streets Unions." It was especially the latter organization's standing committee of eleven which watched over the well-being of the Japanese residents and took up their grievances with the Settlement authorities. Its business was to express the Japanese point of view.

Japanese policies toward China were formulated in Tokyo. But they got their first real workout in Shanghai. For

while, after Japan had returned Kiaochow and withdrawn some of those impudent twenty-one demands, Shanghai's Japanese community had enjoyed prosperity and peace. And after the anti-Japanese outbursts of 1925, and the excitement of 1927, there had been a period of rest again. Now, in 1931, things began to look extremely gloomy. Up north, beyond the Great Wall, in the plains and mountains of Manchuria, Japanese troops were marching. The alleged dynamiting by Chinese soldiers of a Japanese-owned railroad track, the so-called September 18th Incident, had brought swift Japanese action. Chinese garrisons were slaughtered, Chinese lands were occupied. After a few months, Japan had taken the "Five Northern Provinces" and established her own military administration. It was a crushing blow to national China, and national China gave the answer. It gave it in Shanghai.

An anti-Japanese boycott of unprecedented stringency was instituted. No longer did the Chinese buy Japanese toys and bicycles and phonograph records. No longer did Chinese firms handle Japanese merchandise. Those who had ordered Japanese goods a few weeks ago now declined to accept them. Chinese banks refused to honor Japanese bills of lading even when the necessary funds had been deposited before. Japanese commodities piled up on Shanghai's piers, clogged the godowns. More than 700,000 tons of cargo had been rejected and could not be disposed of. Japanese shipping went dead. Many of the freight and passenger boats that used to make the Japan-Shanghai run were laid up. When a Japanese ship was in port, Chinese pickets would prevent Chinese passengers from boarding it, or would go after them and throw them overboard. Whoever was caught buying anything "made in Japan" was summarily dealt with. The "Anti-Japanese and National Salvation Association" saw to that.

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Commercial relations with Japan were completely broken. Japanese shops and stores had to be boarded up. Japanese banks and underwriters suffered heavy losses. Vicious posters appeared in the streets—they said, “Down with Japan Imperialism,” and they said, “Kill the Japanese.” The Japanese community was running out of food; Japanese freighters did not arrive with shrimps and vegetables any more and the Chinese grocers did not like to serve Japanese customers, did not like to see a stone smash their window. Some Japanese residents packed up and left for Japan. Those who remained were frightened. Toru-san and his little friend had to be escorted by armed policemen on their way to school. Japanese tanks and marines patrolled the streets of “Little Tokyo.” Excited meetings were held by both Japanese and the Chinese. Both groups paraded through the streets, shouting insults.

Was China going to fight Japan? The taipans and consuls, whose desks were flooded with radiograms from London, Washington, Paris, asking this question, did not know the answer. The Nanking Government maintained a cryptic silence. There was no sign to indicate that Chiang Kai-shek's tough armies were about to go into action. Right now, at this juncture, the Government was having trouble with the Cantonese group and could not devote much time to foreign affairs. For in Canton, the seat of Dr. Sun's original Kuomintang government, an independent régime had survived. It was headed by some of the victims of the 1927 purge. Prominent among them were leftist Eugene Chen and Sun Fo, the Doctor's sluggish son—not a Soong, of course. They claimed to be the Doctor's legitimate successors, and their activities were annoying. T. V. Soong, especially, liked to complain, as he missed the substantial revenues of the wealthy southern provinces.

There had been a preliminary agreement between Nanking and Canton, drawn up after much haggling, at the end of 1931. To straighten out some of the details, Sun Fo and Eugene Chen had gone up to Nanking, had ventured into the lion's den. They were unarmed, but not quite unprotected. Their bodyguard was the Nineteenth Route Army, a crack Cantonese unit, consisting of three divisions—thirty-one thousand men, well disciplined, heavily armed, well fed. Slowly they had moved up north, keeping close to the two leaders, and had taken up positions along the vital Shanghai-Nanking railway, to watch the negotiations in Nanking.

Now, in January, 1932, with Shanghai seething with excitement, the problem of Sino-Japanese relationships was suddenly in the foreground, making everything else seem unimportant. The Cantonese leaders, who had no responsibilities and who had little to lose, pressed for a decision. Their popularity was likely to rise if they sponsored a policy of armed resistance. They wanted war. But the Soong Government, with heavy responsibilities and with plenty to lose, wanted peace: peace for the development of an efficient administration, peace for the accumulation of wealth and power, peace for the growth of the generalissimo's armies, peace at any price. The negotiations reached an impasse and broke down. The Cantonese leaders took the express train for Shanghai. The Nineteenth Route Army was still sitting there, between the two cities.

Some of the troops started entraining for the south. But the main body moved to the outskirts of Shanghai and camped, with intentions that they did not trouble to divulge. They were loitering there, some thirty thousand strong, contemplating the Settlement the way Chiang Kai-shek had contemplated it five years ago.

Fear gripped the taipans.

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The Shanghai that the Nineteenth Route Army faced was bigger, richer, more tempting than the Shanghai of 1927. It was the unofficial capital of China. The silver reserves of the Government were kept in its banks. Half of the Government revenue originated within its walls. The Maritime Customs, under the administration of an Englishman, were pledged as security for the Government's foreign loans. They were collected in the Customs House in the center of the Bund and deposited in the Hongkong and Shanghai Bank, next door. What remained, after the deduction of interest for the loans, was turned over to T. V. Soong. And T. V. Soong, running the country from his house on Rue Molière, pumped most of it into the armies of the generalissimo. Whenever he needed more money, he had some of that thin green tea with his friends of the Shanghai silver clique. The bankers trusted him. They knew that the money was needed to exterminate what remained of war lords and Communists. Sitting in Shanghai, T.V. could surprise the taipans with China's first balanced budget—an achievement in those days that few other finance ministers in the world could boast. And in the markets of London, Paris, New York, Chinese Government bonds went up forty per cent.

Shanghai was China's richest city. Half of China's foreign trade passed through its port. More than a billion taels in silver was stored in its vaults. The foreign investment was worth another billion taels. The paper money issued in Shanghai was used all over China. And Shanghai had grown. Its population had increased by almost one-third during the last five years, and among the refugees who had come to live in the precarious safety of the Settlement, were substantial middle-class people and the wealthy gentry of the Yangtze towns. They had brought their money. They had bought land, and they had built new houses. Prices soared. Real estate values had trebled during the last six or seven

years. Money was circulating freely, was pouring into new investments. There were new industries: soap factories, rubber factories, porcelain factories, celluloid factories. And Shanghai's industries were working full blast to supply the growing needs of a growing population. Shanghai was rich.

And around this great and glorious city, the Nineteenth Route Army was tightening its net. The troops had filtered into the outskirts of Greater Shanghai. They showed no inclination to depart. The taipans, in their offices along the Bund and Nanking Road, felt most uncomfortable. What was this southern army trying to do? Were they under orders to hold Shanghai as hostage for their Cantonese leaders? Or had they come on an adventure all of their own, to sack the Settlement, to loot the banks, to kill the foreign devils, and to march off with the silver?

The short and turbulent history of the Nineteenth Route Army suggested the possibility of spontaneous action. It had been an army with an unusually sanguine temperament from the very beginning. Under Dr. Sun Yat-sen, the troops had been used in several particularly dangerous actions, to quell provincial insurrections. They had always been victorious. Later, after the Doctor's death, they had been close to Chiang Kai-shek, fighting, under his command, in the front line of the Revolution. And when the southern steam roller had begun to move up north, in 1926, the Nineteenth Route Army had formed the left wing of the vanguard.

After the victory, when Chiang Kai-shek's great purge separated many old friends, the Nineteenth Route Army had been torn between conflicting loyalties. It made itself at home in Fukien Province and maintained a practically independent régime of its own for a while. Sometimes, its troops co-operated loosely with the generalissimo, joining some of his expeditions against unruly war lords, and fighting well. But finally they had settled down in Kwangtung and had

given their support to the Cantonese leaders. When Chiang Kai-shek ordered them to take part in his anti-Communist campaign, they said No. Insubordination was not an entirely uncommon thing, in China.

When the Japanese had swooped down upon Manchuria, the leaders of the Nineteenth Route Army had been among those who pressed for a policy of national resistance. They had actually offered to take their troops up to Manchuria and to fight the Japanese invaders. Their offer had been rejected. They had missed a great fight, and they were disappointed. The men were itching for action. The Cantonese leaders had left them without orders. Chiang Kai-shek had ordered them out of his territory. And they were camping here, without authority, without plans, without money. Shanghai lay before them.

Whether the Nineteenth Route Army really toyed with the idea of sacking the Settlement, no one will ever know. But the truth, in this case, is immaterial. The important fact is that the taipans believed they did; and the taipans were afraid.

There had been other things to annoy and frighten them. The Nanking Government, which was so spectacularly successful in keeping its own house in order, had renewed its attacks against extraterritoriality. The Chinese members of the Municipal Council were again pressing their contention that their number was too small to warrant just representation of the Chinese in the Settlement. There were five of them by now; but *nine* Councilors, a number equal to the number of foreign representatives, was the least the Chinese community wanted. Moreover, the five present incumbents disappointed the taipans by taking direct orders from Nanking and by not at all acting the rôle of good compradores. On some issues, they had been adamant; it was very unpleasant.

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The taipans did not trust the Nanking Government any more than they trusted the unauthorized rowdies of the Nineteenth Route Army.

The old Kuomintang textbooks were still in use in the Nanking Government's schools, and these textbooks contained chapters and drawings that were violently anti-foreign. In the vast territory under Nanking's control, foreigners were still insulted, kidnapped, murdered. The Nanking Government's courts were not too eager to bring the culprits to justice. In its relentless struggle against extrality, the Nanking Government preferred to work through diplomatic channels, trying to wrest the matter from the hands of the taipans. And some of the foreign governments had resumed that sentimental talk of rendition. When Justice Feetham had published his report, the London *Times* had crisply commented that the end of extrality "in some form or other may be nearer than he is prepared to contemplate." And the Nanking Government, encouraged by so much acquiescence, had issued a decree abolishing extrality from January 1, 1932. Naturally, this decree had no effect. The privilege of extrality was based on treaties, and these treaties could not be abrogated. They could only be changed by mutual consent. But it went to show the attitude of official China which remained, fundamentally, "damn' nationalistic."

Now that the physical pressure of the Nineteenth Route Army had been added to the diplomatic pressure of the Nanking Government, the taipans feared the worst. It was about time someone taught those Chinamen a lesson.

Japan seemed particularly fit to administer this lesson. She would have no difficulty in moving her land and naval forces over to China at a moment's notice. Her well-trained troops had just given convincing proof that they could bring the Chinese to reason. Besides, Japan was one of the treaty powers, enjoyed the same rights and privileges as the others,

and the taipans would be able to share the benefits of a Japanese victory.

The Japanese community in Shanghai could not boast the same grapevine system that connected British taipans so mysteriously with Whitehall. Contacts with Tokyo were complicated and slow. There was no single body in Tokyo in charge of the Imperial Government's China policy. At least three authorities were competent: Foreign Office, Army, and Navy. And while some of the Japanese executives in Shanghai would communicate with their friends in the Foreign Office, others might already have talked to the generals, and still others to the admirals. The admirals, in the Navy Office at Kojimachi-ku, had the biggest antennae, anyway. And Shanghai, during the last few years, had come more and more under the paternal influence and care of the Naval Department. The generals were concentrating on the north. And the admirals had begun to work out a policy of "southern expansion." They were patrolling the China Seas. Shanghai was their realm.

So it was to the Japanese Navy that the majority of Japanese residents looked in their present predicament. Anti-Japanese feelings had reached a climax. Violent outbreaks were expected any minute. The situation was particularly precarious in Chapei, to the north of the International Settlement and near the "Little Tokyo" section of the Settlement. The Japanese asked the Navy for help. And the Navy was willing to comply with their requests.

Five Japanese members of the Buddhist Nichiren sect, the militant order interested in the pan-Asia scheme, were attacked in the outskirts of Shanghai on January 18, 1932. One of the priests died. A Japanese mob retaliated by burning the Chinese-owned San Yu towel factory. There was a riot, and two Chinese policemen were killed.

On January 21st, the Japanese Consul General presented

an ultimatum to General Wu Te-chen, Mayor of Greater Shanghai, demanding that he suppress the anti-Japanese boycott, silence the anti-Japanese propaganda campaign, and punish the culprits of the January 18th incident. Mayor Wu called Nanking over long distance and conferred with some of his taipan friends. Nanking told him that war was undesirable and the taipans advised him to be submissive. "Nothing could be more disastrous from the Chinese point of view," cautioned the taipan press, "than any military demonstration which would inevitably evoke further Japanese action." The Chinese press raged; the papers clamored for war. They abused the Japanese, and some of them went so far as to attack Nippon's supreme being, the Emperor. "The scandalous insult to His Imperial Majesty the Emperor of Japan in certain Chinese newspapers of reckless irresponsibility must stand by itself in a special category of infamy," pontificated the taipan press.

On January 28th, at 1:45 P.M., Mayor Wu sent his reply over to the Japanese Consulate. It was soft-spoken and promised swift compliance with the Japanese demands. The Consul General rang up the Mayor to tell him that his reply was satisfactory. But the Japanese Navy had moved to take matters into its own hands. It was too late for civilians to act.

At 11:25 P.M., Admiral Shiosowa, commander of the Japanese naval forces, delivered a note to the Chinese Bureau of Public Safety with demands that far exceeded the Consul's ultimatum. He asked for a "speedy" withdrawal of all Chinese groups from Chapei and the removal of all "hostile defenses" in that neighborhood—meaning the sandbag barricades hastily thrown up by units of the Nineteenth Route Army. (It was curious that the Consul General, telephoning four hours later, disclaimed all knowledge of this note. It was written on his stationery.)

The Admiral did not wait for the answer. At 11:45 that

night, four hundred Japanese marines emerged from their headquarters on Kiangwan Road in Hongkew and climbed aboard eighteen military trucks. Their bayonets gleamed in the dingy light of the street lanterns. Some carried machine guns. A group of Japanese civilians was watching the scene. When the trucks rattled off, flanked by armored cars, they broke into a rousing cheer.

This was the beginning of the Shanghai war. Admiral Shiosawa, in charge of the marines, briskly stated that "the Imperial Navy, feeling extreme anxiety about the situation in Chapei, where the Japanese nationals reside in great numbers, have decided to send out troops to this section for the enforcement of law and order." To what extent the Admiral acted within his rights as representative of a "treaty power" is a delicate legal question. The day before, the Settlement's Defense Committee, consisting of the commanding officers of British, American, Japanese, French, Italian, and volunteer forces, the Chairman of the Municipal Council and the Commissioner of Police, had held a conference. In that conference, defense sectors had been assigned to the respective units, and the Japanese had been asked to defend the north-eastern sector of the Settlement in the emergency that was bound to come. The northeastern sector was Hongkew. If the Japanese stepped across the Settlement boundary, into adjacent Chapei, they did what British and other foreign troops had done in 1927. The result, however, was different.

A young man with an unusually flat nose, even for a Chinese, was in command of the Nineteenth Route Army. His name was Tsai Ting-kai. He had come from the famous Iron Army of the Kuomintang, and he was reputed to be one of China's best soldiers. His personal courage was celebrated in many anecdotes. He was no scholar, and he did not like to talk.

tever he said was pithy and to the point. His soldiers
d him.

ie Japanese had made an effort to get in touch with
ral Tsai, who seemed to acknowledge no authority ex-
his own. He had rejected their overtures with a surpris-
tatement: "The troops under my command are an in-
l part of the army of the National Government of the
iblic of China by whose orders alone all their activities
lirected." It was a lie. The Japanese knew it, and there
been no further contacts. But the flat-nosed General had
gled quite a few of his soldiers into Hongkew, in mufti.
rs were concentrating around the North Station, where
entrenched themselves behind barricades. Perhaps they
still guarding the Shanghai-Nanking Railway for the
ction of which they had originally been detailed. Per-
they were only trying to keep the station clear for their
retreat from Shanghai. Perhaps they wanted to fight
apanese.

ie Japanese cavalcade of trucks and armored cars had
g around in the direction of the station. Before they
reached it, the guns went off. Somebody fired the first
It might have been one of the eager Japanese marines,
e Chinese said, or one of General Tsai's disguised sol-
, as the Japanese said. Hot fighting followed. The small
nese detachments that had been stationed, inconspicu-
, at a great many street corners, heard the shooting and
e into Chinese houses. The war was on.

3:20 in the morning, Mayor Wu called up the Japanese
ul General. He told him that the Japanese were fighting
apei, that Admiral Shiosawa had not even waited for
swer, that Japanese naval units had shelled the Chinese
at Woosung, twelve miles below Shanghai. The Con-
sleepy voice, on the other end of the wire, said that there
nothing known about all this in the Consulate. In the

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Consulate, in fact, they were asleep at this hour of the night. But he, Consul Murai, would do his very best to investigate first thing in the morning. And Murai-san hung up.

Streets were strewn with corpses. Artillery shells came whining in from afar and burst with terrific detonations. Machine guns rattled day and night. From behind barricades and window shades, rifles spat death. Horror stalked the streets of Chapei. The crowded northern section of Shanghai had become the theater of one of history's most frightful wars.

Bombing planes were roaring overhead. They had appeared as tiny specks far up in the sky. With wide-open throttles, they were thundering over North Station, were skimming the rooftops. From a height of three hundred feet, they dropped their bombs. Flames shot up where they had hit.

Large sections of densely populated Chapei were laid waste. Fighting raged in the streets, spread into Hongkew, which was part of the International Settlement. Tenement houses burned down or collapsed under incessant shell fire. Industrial plants were blasted to pieces—among them the modern plant of the Commercial Press which had supplied three out of every four schoolbooks used in China during the last thirty years. Churches, schools, hospitals, cotton mills, a Chinese university, were destroyed. For the first time, the world could marvel at the results of combined artillery and aerial bombing in a thickly populated peaceful city.

Refugees came streaming into the Settlement. They scurried across the bridges, through the wrought-iron gates, driven by fear. They carried their belongings in their hands. Some had managed to fling their miserable "households" into a rickshaw or into a pushcart. Some balanced their bundles on bamboo poles. Women carried screaming babies roped to their backs. Children old enough to stand on their

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1 feet had to take care of little brothers and sisters. They e quiet and docile.

They came trotting along, men in blue cotton, women in g black trousers, thickly padded with cotton, for it was winter time. They came flowing over, one uninterrupted am of scrambling, pushing, hurrying mankind. They ved across Soochow Creek, seeking shelter in the precari-safety of the Settlement where the White Man ruled reme. They came, six hundred thousand strong.

ighting went on north of the Creek. The Japanese, dur-the first ten days of the war, had less than three thousand 1 in Shanghai. What they originally had planned to do h these three thousand, it is hard to say. Probably they uted to teach China that famous "lesson." Probably they uted to retaliate for the boycott that had hit the Mitsui

Mitsubishi. Maybe they wanted to raze Shanghai which, h all the Japanese trade gone, had lost its value for them. atever they wanted to do: they had expected no great dif-ficulties. In a few days, everything was going to be quiet in.

but the young, irresponsible, patriotic rowdies of the Nine-nth Route Army dug in and fired back. They were hardly ipped to weather the onslaught of a highly mechanized dern army. They could have taken the first train out of t North Station and beat it. They had no business hang-around and defending Shanghai. But they had been iling for a fight, and something told them that their re-ance might pull the Nanking Government into a war with an.

t was not till the seventh day of February that Japanese nforcements arrived, fresh from the other side. These were d troops, not marines. They disembarked, twenty thou-d of them, in neat new khaki uniforms and with plenty mmunition. And with their khaki uniforms and with all

their ammunition, they got stuck just the way the bluejackets had got stuck before.

It was this stalemate that caused the Japanese civilians in Shanghai to go on a rampage of their own. Their nerves had been strained. They had been confronted with the ever rising waves of anti-Japanese sentiment, had been hemmed in by a hostile community of three million, they had been jittery and they had asked for help. Now that marines and soldiers had come to "help" them, things were moving too slowly to bring the hoped-for relief. The Chinese stood their ground; they had shot down a Japanese plane, had sunk a Japanese destroyer, had repulsed the Japanese at the Woosung forts, and seemed immune to the hail of shells and bombs peppering down on their positions in Chapei. The nerves of Japanese civilians snapped.

No—you would not have recognized Sato-san and Kato-san as they tramped through the narrow streets, big black Mauser pistols in their hands. You would not have recognized them as they forced their way into Chinese shops and houses, pulled out a couple of trembling coolies, shot them in cold blood. You would not have recognized the thousands of Sato-sans and Kato-sans who had armed themselves with rifles, old-fashioned swords, baseball bats, or just plain walking canes. They were the Japanese volunteers, the "Ronins." They had been tame and peaceable throughout the years of their residence in Shanghai, and you would not have believed that they would ever be able to perpetrate such unspeakable cruelty. You would not have believed it until you saw it with your own eyes and until you remembered what you had heard about the "dual personality" of the Japanese. But even when you had seen it, it remained one of the weird mysteries of the East.

Hongkew did not look like the "rainbow mouth" that its name signified. There were no lights in the streets. Tanks

e rumbling through deserted alleys. Dogs and rats were brating a Roman holiday of their own; there were places where one could no longer distinguish the corpses beneath ravenous packs. Fires were raging throughout the section which was, since the beginning of the war, completely under Japanese "control." The Municipal police had withdrawn north of Soochow Creek although Hongkew, officially, was part of the Settlement. For the time being, it seemed to be administered from the Japanese Club on Boone Road where Japanese shopkeepers, bank employees and clerks met to check the rifles and to become Ronins. Terror ruled north of Soochow Creek.

South of the Creek, the taipans looked on in amazement. It was the thing that had been anticipated by three generations of taipans, the thing they had been afraid of for the last twenty years. It was the thing that they had thought of whenever that faint and distant rumbling could be heard, the thing that they had been trying to avert with all their might: the Japanese in Shanghai.

They looked on in amazement. Shanghai's trade had stopped. The factories were idle. Ships had been laid up. Shops and stores were padlocked. The stock exchange had been closed. Banks had suspended their operations. But more than that: the proverbial neutrality of the International Settlement had broken down. White men had been stopped and searched, in Hongkew, by Japanese patrols. Taipans had been insulted by Ronins. A British lady had been hit with a kick. American civilians, among them a consular officer, had been kicked and beaten. Japanese planes were flying over the Settlement. The Wing On cotton mill, which was protected by a detachment of American marines, had been bombed. The mill was well within the Settlement, far from the scene of actual warfare. (Yes, said the Japanese high command, we discovered two bombs missing when that plane

landed; mechanical defects; so sorry.) And, without any explanations or apologies, the Japanese had arrested a Chinese general in the British "Astor House" and refused to turn him over to the Settlement authorities. The taipans were amazed.

Curiously, the Chinese members of the Municipal Council were the first to protest against the flagrant violation of the Settlement's neutrality. The Chinese Ratepayers' Association endorsed their protest. But the taipans replied, "The practical status of the Shanghai Municipal Council is not that of an independent or sovereign state and, consequently, it is not in a position to take any direct measures against the action of a foreign power." Fear was behind those carefully phrased remarks. Fear lest the Chinese would send troops into the Settlement, under the pretext that the taipans could not protect Chinese civilians within its walls. Fear lest white men would lose face with the Chinese, would seem to be cowed by the dashing Japanese. The Chinese had not forgotten that Japan had fought for her concession at Hankow when Mr. O'Malley had given the British concession away. The Chinese would not forget it if the taipans should back down again.

And yet, the taipans could not openly disapprove of Japan's crude action. As a treaty power, Japan was showing that strong and unsentimental attitude that the taipans had vainly urged their own governments to adopt. Japanese brutalities were making headlines all over the world. The public in Europe and America was shocked. British, French, American newspapers were denouncing Japan in bitter terms. Not so the taipan press. True, there was some talk about the "tragic errors of the Japanese high command." But "sympathy with two friends, unhappily entrapped in the gin of mutual misunderstanding, is the most fruitful quality for employment at the moment," counseled the editorials.

Much was done to preserve the integrity of the Settlement

south of the Creek. Martial law had been declared. The various garrisons had taken up positions in their defense sectors. British reinforcements had been rushed over from Hong Kong. The 31st Regiment of the United States Army had been ordered from the Philippine Islands to Shanghai together with a thousand marines. The American cruiser *Houston* had dropped anchor in the Whangpoo. And behind this impressive display of military force, the taipan powers were trying to talk "peace pidgin" with their two friends over a cup of tea. Within one month, five different attempts were made to arrange for a truce. All of them failed.

As the war dragged on, however, a great many taipans were torn between conflicting sympathies and conflicting fears. The greatest danger of all, it seemed, was an overwhelming victory of the Chinese troops. If the Nineteenth Route Army could whip the Japanese, it was almost certain that it would tackle the International Settlement next. But the Japanese had landed a hundred thousand soldiers, had brought some forty ships and a hundred and twenty war-planes into action. They had, after five weeks of constant shellfire, taken the Woosung forts (ninety years after Britain's *Nemesis* had done the same thing). The chances for a Chinese victory were getting slimmer every day. Flat-nosed General Tsai and his valiant youngsters had to stick it out alone: although Japanese planes had flown inland, had bombed other Chinese cities and forced the Nanking Government to flee to Loyang, the generalissimo had not taken action. Nor had T. V. Soong sent the Nineteenth Route Army any checks. It was Shanghai's Chinese bankers who had chipped in to finance their defense. Chinese resistance was bound to collapse. It was crumbling already.

And some of the taipans began to wonder. They began to see the prospect of a Japanese victory in a new light. If Japan should be able to beat China into submission, if she should

gain control of the cities and villages and fields and banks and railways of the Yangtze Valley, if she should succeed in establishing a Japanese trade monopoly in the China market, the city of the muddy flat would be doomed. The famous Open Door would lead into nowhere—the Shanghai scheme would be disrupted.

Shanghai, for its very existence, needed the good will of four hundred million Chinamen. Whatever should be the outcome of this war, the thorn of Japan's brutal aggression was likely to remain in China's flesh. It began to dawn on the taipans that it might be unwise to approve of Japan's action without any reservation. They had meant to share the fruits of a Japanese victory and to enjoy the results of the "lesson." But they were unwilling to become victims of the deep-seated hatred against the Japanese that was likely to linger on after the guns had become silent again. "Japan's military forces have lost their usefulness as part of Shanghai's defense scheme," stated the (American) *Shanghai Evening Post and Mercury*; "we deny that they are fighting our battle."

When Japanese planes continued their flights over the Settlement south of the Creek, in an apparent desire to draw Chinese shellfire and thus to involve the taipan powers in the war, the admiral in command of the British China fleet told them that he would fire at them. The flights stopped. The Chinese troops of the Nineteenth Route Army had shown no inclination whatever to trespass on the foreign area. Their "scrupulous regard for non-Japanese interests" met with the taipans' appreciation. But there were sand-bag barricades in the residential sections, just in case.

The youngsters of the Nineteenth Route Army had put up a splendid fight. They had held their own against an army which was far superior both in numbers and in equipment,

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and they had kept the Japanese busy "conquering" Shanghai for three months. They had received no support and no reinforcements from the generalissimo and they had been forced to yield. Slowly, inch by inch, they had withdrawn from Chapei and gone into new positions some thirty miles outside Shanghai. The Chinese city was at the mercy of the Japanese.

It was at this point that the taipan powers succeeded in arranging a truce.

The truce was signed on the fifth of May, 1932, between representatives of the Chinese and Japanese forces. Representatives of Britain, the United States, France and Italy, whose good offices had made the agreement possible, affixed their signatures as witnesses. The stipulations of the truce showed clearly that the Japanese were far from having won a victory. Greater Shanghai was restored to the Chinese authorities who were to form a Peace Preservation Corps for the maintenance of law and order. Japan was to move her army and navy units back to Japan, except for the permanent garrison which remained in Shanghai, along with the garrisons of other treaty powers. No Chinese troops were allowed to enter Shanghai or, in fact, to come anywhere near it. A demilitarized zone was established around the metropolis. Its boundary, some thirty miles beyond the city limits, was the line held by the Nineteenth Route Army at the end of hostilities. This zone was something the taipans had been trying to set up ever since the days of "Chinese" Gordon. It served as most impressive guarantee of Shanghai's neutrality, and it was not violated during the next five years.

The war was over. The youngsters of the Nineteenth Route Army bade farewell to the graves of their fallen comrades and trekked down to Fukien Province. Their defense of Shanghai went into history as one of the most gallant performances of modern times. They had fought an enemy

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more than twice their strength, and, somehow, they marched off as victors. The Japanese, who had left some four thousand of their best troops on the Shanghai battlefield, went aboard their transports, with drooping flags, dejected. They looked around, as their black ships moved slowly down the Whangpoo with the outgoing tide. And they knew that they would be back.

The war was over. Shanghai took stock of its losses. The section north of Soochow Creek, Chinese and foreign quarters alike, was a smoking shambles, reeking with the foul odor of death and destruction. The streets were empty, deserted. You could go over there and see the sights—shattered buildings, shellholes, ruins. You could notice that the rats still ventured out on the street, in the dim light of the late afternoon, and that they looked fat and sleek. The stray dogs were still as bony as they used to be; only there seemed to be more of them. Some of the shopkeepers had returned and were trying to reopen their stores. But the bulk of the refugees was still on the other side—a million people had fled.

There was peace again. But Shanghai, the city with the nine lives, did not recover from the shock as quickly as it had recovered from other shocks before. Its trade had been ruined. Godowns, filled to the rooftops with the precious goods of five continents, had been destroyed. European and American steamship lines had struck Shanghai from their schedules, had dumped their cargoes in other ports. No Chinese orders had been placed with the taipans throughout the spring—and spring used to be the time when most of their orders came in. The taipans had cabled their houses in London, Amsterdam, New York, to cancel previous orders. Factories had been razed, industrial production had come to a standstill. Millions of people had spent their last cent for their bare existence, had lost their homes and their in-

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nes, and were not likely to regain their purchasing power a long time.

The outlook for business was gloomier than ever before. Several estimates of the sum total of the losses were made: they all differed from each other. But they all quoted appalling sums. The Japanese alone had lost some eighteen million pounds' worth of commerce. Fifteen thousand out of forty thousand Japanese residents had gone home. If this war had been waged to avenge the anti-Japanese boycott of Chinese people, it had hardly served its purpose.

But to the taipans, the Shanghai War had meant more than columns of figures could express. To them, it had been the first genuine catastrophe smiting the White Man in the heart of the muddy flat. To them, it was the beginning of the end. Death had come to Shanghai, had paid his first roaring visit to the metropolis. And although the visit was over, the taipans sensed that it was meant to be repeated. The smell of death was hanging over Shanghai like a cloud on a calm day; it would never move.

The taipans looked back upon the ninety years of Shanghai's history as an open port. Ever since the brand-new thirty-pounders of the *Nemesis* had hurled their shells into Woosung forts, there had been strife and struggle. There had been many days of anxiety, and few days of rest. Throughout these ninety years, white men had listened to the faint rumbling that came out of China vast and unknown. And often the distant rumbling had swollen to the rapid and fearful clatter of arms, the dull rolling of drums, carried with the breeze across the sun-baked fields. Then, the taipans had left their hong along the Bund and the Great Horse Road and shouldered their rifles. They had manned the ramparts of their Settlement and they had kept in contact throughout these ninety years, had defended a few square feet of mud against a hostile continent.

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Hemmed in by four hundred million strange and quite unfriendly people, the taipans had built a great town. They had been sitting by the Yangtze mouth, watching the junks go by, levying their share, and growing rich. Their ships had crossed the ocean, had forced their way up the mighty river, a thousand miles. Half-naked coolies had carried bales, on their bent and bony backs, into the crowded towns and villages of Asia. And Shanghai had grown. Chain gangs of umbrella-carrying prisoners had leveled in the Bund, and along the broad, sunlight-flooded esplanade, new white buildings had gone up. Shanghai had grown. In its vaults, the silver bars had piled up. And when the continent behind the Bund was plunged into the chaos of civil wars, Shanghai had been the one safe spot. It had worked, had worked most satisfactorily—the Shanghai scheme.

The taipans thought back to the Taiping War and to the Boxer Rebellion. They thought back to those fateful shots of May 30, 1925, to Chiang Kai-shek's victory and the nerve-racking tension of 1927. China vast and unknown had kept pressing upon Shanghai, the pressure had increased, had become unbearable at times. The taipans had asked their governments for help, and the governments had sent troops and ships and planes. They had taken those steps in self-defense, acting on the principle that every country has the right to protect its nationals abroad. And although the treaties said nothing about a permanent military occupation of Shanghai, the taipan powers had established their garrisons. Foreign soldiers had protected Shanghai, foreign men-of-war had been lying in the Whangpoo, forming a solid wall of hard gray steel, parallel to the Bund. Armed neutrality had guarded the Shanghai scheme, and Shanghai had grown.

And now, after ninety years of growth, shocking events had shown that the Shanghai scheme was not foolproof.

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throughout its history, the scheme had worked in one direction. It was based upon the idea that the interests of the taipans were opposed to the interests of the four hundred million. And the taipans had forgotten about their different nationalities and their different accents and had formed a solid phalanx. Their united front had preserved Shanghai's integrity in the face of a hostile continent. Until, one day, one of the treaty powers had stepped out of that united front and embarked on a venture of its own. The Shanghai scheme had been strong enough to withstand all pressure from without. No taipan had ever thought of the day when it would be pierced from within.

The magnitude of what had happened was beyond belief. In pale, incredulous amazement the taipans had watched Japan sabotage the very foundation of their existence. It had taken the best brains, the cleverest statesmen of Imperial Japan to lay this foundation. It had been embedded in the Shanghai mud and it had been strong enough to carry a million-dollar investment. Japan had been one of the last nations to join. She had been accepted on an equal basis, and had been allowed to share in the profits of the Shanghai scheme. Within a few years, she had made prodigious strides. And she had been the first to forsake the old imperial tradition of taipan solidarity.

Japan had committed the sacrilege for which there was no excuse. She had meant to strike at China and she had struck at Shanghai. The taipans saw the organic connection between the Manchurian and the Shanghai "incidents." Japan was trying to grab the raw materials of Manchuria, and was trying to grab those immense continental markets which could be reached through Shanghai. For the time being, she had failed. Out of her bloody blunders, the taipans had made little profit even: some of those Chinese orders that had been placed in Osaka were placed in Lancashire again. But

what were those profits compared to the tremendous damage of this war? And how long would they last?

The taipans had seen the handwriting on the wall. A Japanese army of a hundred thousand men had fought in Shanghai. British subjects had received blue postcards in their mail; they had come from the British Consulate and had said that, in case of evacuation, the taipans and their families would have to meet at the Metropole Hotel, with as little clothing and as much food as possible. There had been no evacuation—this time. This time, the hundred thousand had departed, and the taipans had stayed. Miraculous, by Jove.

By Jove, it *was* miraculous. Discussing things over strong whiskies at No. 3, The Bund, after the strain and the excitement of the last few months, the taipans did not quite know what to say. It was not so long ago that they had spoken of the sacking of Shanghai. Here, at this same bar, they had talked about the rowdies of the Nineteenth Route Army, about their sinister plans. It was not so long ago that they had toasted Japan—Japan who had come to teach the Chinese a lesson, Japan the valiant savior of the Settlement. Had Japan's action really saved the Settlement? Maybe it had been the other way about. Maybe those young Cantonese, who had fought without orders and without equipment, with all their nebulous patriotic ideas,—maybe *they* had saved the Settlement. Maybe, without their courage, there would be a deep hole in the mud, at No. 3, The Bund.

And one of the taipans, a rather silent fellow with a pink face and a yellow mustache, who had taken his whisky neat, raised his glass and said something. He said it with a low voice, and they had to interrupt their conversation to hear him. When they saw the glint in his water-blue eyes, they

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ght that he was probably serious. But he only quoted
ing:

“Then a health (we must drink it in whispers)
To our wholly unauthorized horde—
To the line of our dusty foreloopers,
The Gentlemen Rovers abroad.”

CHAPTER XI

Silver: Firm

THE events of 1932 had made it imperative to re-think the Shanghai scheme. It seemed no longer possible to use it in its old, one-way direction. From now on, the taipans had to watch two fronts. Two great Asiatic nations were engaged in a life and death struggle, with white Shanghai, unfortunately, between the firing lines. And although all was quiet on Shanghai's two Asiatic fronts, the taipans knew that it was armistice, not peace. The last decisive catastrophe was yet to come. When, they did not know.

It was this pregnant tension that seemed to suit the taipans' temperament. Three generations of them had lived under stress. And despite the crushing blow that they had suffered, their hopes were going up again. It was the old, indomitable, aggressive, speculative, unsentimental, incredibly optimistic taipan spirit. Shanghai seemed to have taken a new lease on life. Like everything else in Shanghai, this lease was a strictly commercial proposition—a five-year term, prepaid. But this the taipans did not know.

The refugees had gone back to Hongkew and Chapei. Shell-holes were filled in, houses were rebuilt, shops reopened, factories resumed their operations. Ocean liners were steaming up the Whangpoo again, new goods were packed into the godowns, once more the gears of business began to grind. The heavy wrought-iron gates between the

Settlement and the Chinese city of Greater Shanghai were wide open. It is peace, said the taipan papers, peace "that will keep them open until, through long disuse, they rust from their hinges and are carried away to the scrap heap."

Whether there was a genuine effort on the part of the taipans to "re-think" it is hard to say. The Shanghai mind, so rugged and so dynastic, was perhaps meant to survive the Shanghai scheme. Perhaps it was not meant to change as long as the last taipan breathed. But in the new situation that had arisen, with two Asiatic races pressing upon Shanghai, the taipans could hardly afford to antagonize both. A slightly more congenial relationship with the four hundred million was expedient. But the four hundred million were still strange and very far away. Except for the fact that the taipans could see them every day in the crowded alleys of their very Settlement, they could have been living on the moon. No attempt had ever been made to approach them, and now it could not be done. The taipans could not deal with the four hundred million. The only ones they could deal with were the clever compradores, the well-bred gentlemen, with their pleasant accents.

And the compradores, in their Frenchtown villas and in their government offices at Nanking, were delighted. They too knew that the Japanese would come back some day. They too could use the helping hand of the taipans. They were willing to co-operate. And there was less talk about the abolition of extrality.

One of the first things T. V. Soong tackled after the Shanghai War was the reorganization of the currency system. Completely chaotic monetary conditions had angered three generations of taipans, had handicapped the Shanghai trade. No one had ever believed that the chaos could be ended, that Shanghai could have normal, ordinary money, just

plain dollars and cents, as other countries had. It was mighty bull to be taken by the horns, and only one man was mighty enough to do the job: T. V. Soong.

T.V. had grown in stature throughout these years. He had worked out a sound financial administration for the vast area under his family's control. He had devised new sources of government income, had revived the old salt monopoly and he had accomplished the unbelievable: tax money actually reached the treasury, did not remain in the pockets of the generals. At one time, when the silver transports with the provincial funds had been ambushed once too often, he had protected them with a specially created "Soong's Brigade." He had drawn much cash from his friends, the Shanghai bankers, and he had pleased them by making trade and commerce safe for them. He had abolished the awkward and expensive city to city transport tax that had hampered the operations. He had given his brother-in-law, the generalissimo, every penny he could spare—for his armies. He had fought corruption and political banditry, and he had made enemies every day. There had been six attempts on his life but neither pistol bullets nor hand grenades had hit him. And now he gave China a modern currency system.

He simply did away with that poorly fitting little silver shoe: the tael. Hundreds of different taels had been in use, little silver shoes in different sizes, and their weight and value had been as different as their size. Many of them had already disappeared, as they were too difficult to handle, but several types were still in circulation. Worse than the actual shoe-shaped tael, was the fictitious tael which was used in all important business transactions, real estate deals, auctions, customs payments, and steamship fares along the Chinese coast. It was no coin—it was a weight of silver. Its value varied with the value of the white metal. Roughly, it corresponded to sixty-three cents, American money. But it

flexibility made it inconvenient and encouraged speculation. Moreover, it fitted badly into the age-old monetary system that was still widely used throughout the backwoods of China. The *cash*, a picturesque thin brass coin with a square hole in the center, was still the only form of money people knew in the walled towns and dilapidated villages of the provinces. There were about eleven hundred *cash* to the tael.

On top of this traditional system, early Spanish traders had brought the Carolus dollar to the port cities of southern China. It was with this dollar, the profile of Charles III of Spain embossed upon it, that the British had been paid when they sold their first calicoes around Canton. With the expansion of foreign trade after the Taiping War, there had been a shortage of these handy coins. Standard money had to be imported, and the first shipments of Mexican dollars arrived. It was not quite as odd a thing as it now seems: the Philippine Islands, off the coast of southern China, were a Spanish possession then; and they were administered from Mexico. Hence, the famous "Mex dollar," that had become the standard unit, used by foreigners and Chinese in the port cities in modern times. You still got one of the original pieces in your change once in a while. It showed the Mexican eagle and was one of the prettiest coins ever minted anywhere.

The Mex dollar—which equaled, in its good days, approximately forty-five American cents—was probably the most widely used monetary unit in the world. It circulated in North and South America, throughout the Pacific Islands, in Japan and China. (At the time of the World War, China had absorbed five hundred million of these coins.) It was used for all sorts of cash-and-carry business, railway fares, and minor business transactions. Its value was about one third less than that of the average tael, and it was less clumsy.

It defied speculation but it encouraged counterfeiting. I so much the original Mex dollar as its descendants, the v
ous Chinese dollar coins, became the victims of Chin
ingenuity. With fine instruments, they sawed their faces
hollowed out the rest, poured lead into the cavity and
dered the face on again.

A year after the Shanghai War, T. V. Soong abolished
tael and gave China a new national silver dollar. It cor
ponded, in fineness and weight, roughly to the types
Chinese dollars that were already in use. On its face
carried a very imperfect likeness of Dr. Sun Yat-sen, and
the reverse a very perfect picture of a Chinese junk. T
Shanghai mint enjoyed the monopoly of coinage, and it
quite a sight to see the heavy armored cars, painted a shin
red and carrying an automatic gun on the top, forcing th
way through the crowded streets between the mint and
Central Bank of China.

Silver was the only actual money, recognized as such
the Chinese people. The 350,000,000 dollars' worth of ba
notes, issued by the foreign and Chinese banks in Shangh
were convenient enough, but they were not "real" mon
They were covered, to their full nominal amount, by 1
silver stores of the banks. Whenever the sons and daught
of the taipans ventured into the countryside, on a pleas
trip, they had to fill their pockets with good hard dollar
a far cry from the nonchalant chit of the old duck-shooti
days. (Back in Shanghai, of course, they could sign ch
again, as freely as their grandfathers.)

In the well-guarded basements of the Shanghai banks, 1
"shroffs" would sit all day and stack the silver dollars ir
piles. They would count them with the amazing dexter
of magicians, detecting the counterfeits by touch and fli
ing them out more swiftly than the eye could follow. Th
were the drudges, those "shroffs," the only ones in dir

touch with the precious metal, the metal that was to plunge Shanghai into the wildest of all its booms. And they knew their silver dollars, too—the Sun Yat-sen dollar and the dragon dollar and the Yuan Shih-kai dollar and the eagle dollar and the various memorial dollars. They knew them and they handled them, all day long.

During the last twenty years, ever since the first days of the Revolution, silver had kept pouring into Shanghai. By now, the vast continent was drained of it. Twenty years of political chaos had ruined the economic system of the provinces. In those walled cities and crumbling villages along the mighty Yangtze, there was no money left. Half-starved peasants, tilling their rented fields, had nothing left to pay their rents and taxes. The landlords had squeezed them dry, and the war lords had squeezed the landlords. In some districts, people were taxed ahead of time, taxed for the first calendar years of the next century. They had to borrow, and they had to pay astounding interests. There was no money left.

The silver had been taken away, long ago. From the villages into the towns, from the towns into the cities, from the cities down the river, down the coast, down the railway tracks: to Shanghai. Now, after the Shanghai War, more than one half of the total amount of China's money had flown down to the city of the muddy flat. There were four hundred million human beings in China; there were four million in Shanghai. China was poor and Shanghai was rich.

And the silver kept coming. It kept coming at the rate of hundreds of millions a year. There had been forty million Mex dollars' worth of silver in Shanghai after the World War; there had been two hundred and sixty-six million in 1931; there were nearly six hundred million now, in the early spring of 1934. And it kept coming. It piled up in the vaults of the banks, and even the dexterous fingers of the

"shroffs" were not quick enough to count it. It had
 It went out of the banks into the industries, out of
 industries into the banks. You could see it dragged, on
 wagons, through the streets of the Settlement, in heavy
 bars, naked. It made its rounds, and it gravitated back
 the banks. It gravitated into people's brains; and it posed
 them.

It was the largest concentration of silver on earth. Shanghai was rich. What did it matter that China was poor? A vast unknown country behind the Bund? The Bund was rich, and the Bund was the façade of China. It was a world saw. And with surprise, the world saw that China was not affected by the universal depression of the early thirties. The Chinese currency was based on the silver stocks of the Bund, and the Bund banks were overstocked with silver. And as the silver price was slowly declining in the markets of the world, commodity prices were slowly rising in China. Money was circulating freely and, while the rest of the world was in the throes of the worst economic depression of the age, China was enjoying a mild prosperity.

And then, something happened in Washington that caused an earthquake on the Bund. The United States, along with Great Britain and Japan, had devaluated her currency. To boost the existent treasury reserves, the United States Government set out to buy silver in the open markets of the world for so many cents an ounce, until its silver holdings would reach a certain proportion of its gold reserves. Purchases altogether 1,300,000,000 ounces were anticipated. There were 400,000,000 ounces in the banks of Shanghai.

In the markets of London and New York, silver prices rose. They climbed steadily. Sometimes they jumped a few points ahead in a single day. The Shanghai bankers looked up the new quotations and were wondering. In terms of the depreciated American dollar and in terms of the depreciated

pound sterling, their silver stocks were more valuable than ever before. And silver prices were still rising, for silver was in demand at Washington, and Washington was willing to pay for it. The Shanghai bankers were wondering.

China had been a country which imported silver. It exported its tea and its silk and its cereals and its eggs and its peanuts and its hides, and in return, the silver had come to China. Now, the traditional system of give and take had been upset. Manchuria had been taken by Japan, and the rich exports of Manchurian products had ceased to figure on the list of China's foreign trade. Moreover, the currency maneuvers of China's three best customers—Britain, America, Japan—had reduced their purchasing power. China could not make as much money by selling her commodities to these three countries as she could before. But the same currency maneuvers had given new vigor to the exporting industries of those countries. Japanese silk was conquering the markets of the world, and many Shanghai silk filatures had to close down. On top of all this, the poor crops of 1934 made it necessary to import large quantities of rice and wheat from abroad. China was faced with an unfavorable balance of foreign trade. No silver had been coming in.

The Shanghai bankers looked at the silver quotations, and they looked at the quotations of the Shanghai dollar. It was not doing so well, the Shanghai dollar. In terms of pounds or American dollars, it was quoted below its parity in silver. The plump hands of the Shanghai bankers caressed the wooden beads of their calculating machines that were polished from long use. Then they took one of those shiny new silver dollars out of their pockets and flipped their nails against its edge: it gave a clear metallic ring. What they held between their fingers was a dollar—in Shanghai. But what if they took that dollar to London or to Washington? The

bankers looked at the silver quotation again. One dollar ten, exactly.

A profit of ten per cent, in other words, could be realized by selling Shanghai's silver dollars abroad. Here was a chance, and the Chinese bankers of Shanghai did not hesitate to take it. They were free to do with their silver stocks anything they pleased. They were free to do it even over the protests of their own government at Nanking. The foreign flags flying over the rooftops of the Settlement gave them just this freedom, protected them against interference on the part of Chinese authorities.

The Chinese bankers began to load the ships with silver, and fat remittances were coming back from London in their mails. They looked at their silver dollars with pride and satisfaction and waved them good-by. These pretty coins were worth more than they said they were worth. By selling a million of them in the London market, one could clear a cool hundred thousand. It was a simple operation, did not require skill and did not involve any risk. And the Chinese bankers shipped their silver to Europe. Shiploads of it. And the taipans followed suit.

It was a curious situation, if you stop to think of it. For more than twenty years, Shanghai had drained China of her silver. The land owners and the small town bankers and the gentry and the loan sharks and the war lords had sent their silver to the Settlement, because the Settlement was the safest place in China. And the taipans, who were guarding the safety of the Settlement, had been guarding China's silver. It was like a trust, almost. And now, the silver began to disappear. Millions of hard silver dollars disappeared every day. And million-dollar profits were realized.

In the markets of the world, the price for silver was still climbing. America bought silver, bought it at rising prices, and the Bund banks sold it. The Bund banks sold, and

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ipans and griffins forgot all about cotton goods and machinery and silk and tea and coal and hides, and thought about silver. The silver price was rising. The Shanghai gentlemen bought silver, bought it as fast as they could, bought it on margin, invested all they had, sold it in London. The silver price was rising.

Shanghai went crazy over silver. With three more years to go until the end, the mud-flat city abandoned itself to the wild orgy of the silver boom.

Heavy clouds were hanging over Shanghai—heavy clouds with a silver lining. Some time around midnight, in the boudoirs along Avenue Joffre, the Shanghai gentlemen would wipe the white shoulders of their Russian lady friends and console themselves. They would go to the telephone and call their brokers who, by now, had the day's quotations from New York. They would put in their order, raise the limit, tell the broker to hold on to the silver, or to sell it two and half points above yesterday's course, adjust their bow tie and return to their tables. If they were worried about the market, they would order some more champagne and their Russian lady friends would console them. If they were eased, they would order some more champagne, too.

The Shanghai gentlemen were wiping their foreheads. It was getting hot. They were neglecting their business, their correspondence, their friends. Silver was all they could think of. They were heavily involved, they were running tremendous risks. The silver price was rising. Would it rise indefinitely? Tomorrow's quotation could spell disaster. The Shanghai gentlemen were nervous. They had trouble killing the time between phone calls to their brokers. But there was really nothing to be afraid of. The silver price was rising.

The Chinese Government looked on with growing concern. If this business was allowed to go on, the last of China's

silver was likely to vanish. China's currency, China's economic system, were likely to collapse. Already, the outflow had reached alarming proportions. But the Chinese Government, in this dangerous situation, was not able to act as quickly and as effectively as it should have acted. The Soongs, for once, were impotent. In the fall of 1933, T.V. had surrendered the Finance Ministry to his brother-in-law, the fat little banker, H. H. Kung.

T. V. Soong's retirement was the result of a family intrigue which shed light on the motley array of temperaments and ambitions represented in this unique clan. When T.V. was in Europe, as delegate to the world economic conference in London, word was sent to him that his services as Minister of Finance were no longer needed. H. H. Kung would succeed him. Close observers were quick to trace the cause of this surprising move to the secret aspirations of Mme. Kung, the oldest of the Soong sisters. They had known her as a rather ambitious politician, dissatisfied with a position that relegated her and her husband to the periphery of the power that was Soongs'.

Her later activities as wife of China's Finance Minister might well have been taken to bear out those suspicions. With an admirable flair for the intricate relationship between the actions of the Finance Ministry and the reactions of the stock exchange, she used those years to amass the vast Kung-Soong fortune. But although her realism was the theme of jest and criticism all over the Far East, most of her critics forgave her with a smile: she was too clever not to be admired. She was, after all, a Soong.

Anyway, T.V. was out. And H. H. Kung, the heir of Confucius, was at a loss when it came to counteracting the effects of the silver crisis. For seen from his desk, in the Ministry of Finance, it was a crisis. China's currency was a silver cur-

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ncy, and the Shanghai gentlemen disposed of China's money just as if it had been another product of the soil, fit for export. China's currency was on the verge of collapse.

"Until further notice," said a proclamation of the Ministry of Finance, "purchases and sales of foreign exchange shall be prohibited." It was H. H. Kung's idea of a silver embargo. And it met with much hilarity on the Shanghai exchange market. If it had any result at all, it served to hasten the outflow of silver. For, although this decree was meaningless, the Shanghai gentlemen were not so sure that Nanking might not find ways and means of stopping the silver boom. And more ships went down the Whangpoo, loaded to the scuppers with the white metal.

The silver price was rising. Commodity prices in China went down, as they had always done when silver was high. The silver dollar, whose real value had increased, naturally bought more goods than it had bought before: if it had bought seventy-five eggs last year, it bought a hundred now. It was a good bargain for those who had the dollars, and a very bad bargain for those who had the eggs.

Prices slumped. The index figure for wholesale prices (starting from a basis of 100 in 1926) had fallen from 126.7 in 1931 to 103.8 in 1933; in 1934, it dropped to 97. China's farmers and manufacturers did not make any money. A crippling crisis had gripped China's economic life. The forecasts of American Congressmen who had stated that high silver prices would bring prosperity to China, would stimulate the buying power of the Chinese people, did not come true. High silver prices brought prosperity only to Shanghai. China became poorer every day.

Finally, when something like one quarter of China's total silver stocks had been thrown to the wolves, the Nanking government saw itself forced to take decisive action. On the 15th of October, 1934, it issued a proclamation which said:

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"In view of the undue rise of silver out of relation to the level of general commodity prices, the National Government, in order to safeguard China's economic interests and protect its currency, has fixed the customs duty on exports of silver, effective October 15, as follows . . ." The charge was ten per cent. In addition, an equalization charge was levied to offset any remaining differences between the theoretical parity of London silver and the official exchange rate of the Central Bank of China.

Here, the Chinese Government had finally found a way of imposing an effective embargo on the export of silver. It acted within its authority. For although the maritime customs were collected by an Englishman, China's sovereign rights in this respect had remained intact. But the embargo of October 15, 1934, had one unfortunate result: it threw the Chinese dollar off its normal level. China had an inflation. The dollar slumped twenty per cent.

The Shanghai gentlemen were confused. Silver exports were stopped—officially. That large amounts of silver were smuggled out of Shanghai after the embargo had taken effect is beyond a doubt: the silver price was still up, and profits were still considerable. Although the Chinese banks had held more than three quarters of the Shanghai silver stocks, it was an open secret that the foreign banks had been responsible for most of the silver exports. At the end of the year, the Shanghai silver hoard had been reduced from 600,000,000 to 335,000,000 Mex dollars.

The silver boom was over. Tremendous profits had been cleared. And China's currency was damaged beyond repair. It declined slowly and steadily. Unbounded inflation, with all its disastrous consequences, seemed inevitable.

It was in this crisis that T. V. Soong was made financial dictator of China, as Governor of the Bank of China. No sooner

had he taken over than he went around to the bankers of the Settlement, big ones and small ones, foreign and Chinese, and solemnly concluded a gentlemen's agreement with them. He and they were to work, hand in hand, on the rehabilitation of China's currency. He and they needed it.

But it was not quite as easy as that. Things had been allowed to go so far that rehabilitation seemed impossible without foreign help. The British taipans, who had had their share in the silver boom, were glad to do what they could. They had never trusted H. H. Kung, but they had confidence in T. V. Soong, who now had his office on the Bund. They wrote home for help.

Home in London, however, Ramsay MacDonald's National Government was on its way out, and Stanley Baldwin's National Government was on its way in. Neither of the two gentlemen seemed to take much interest in things Chinese. It was the Conservative Chancellor of the Exchequer, Mr. Neville Chamberlain, who recognized the danger of the situation. If China's financial and economic system was allowed to collapse, the British China trade and the vast British interests in Shanghai would be doomed. And Mr. Chamberlain, without giving his Prime Minister and his Parliament more information than absolutely necessary, sent Sir Frederick Leith-Ross, K.C.B., K.C.M.G., to Shanghai. Sir Frederick was chief economic adviser to the British Government; one of the best brains Britain had.

About the actual substance of Sir Frederick's conferences with T. V. Soong and the taipans little is known. But the results made history. Soon after the Briton's arrival in Shanghai, China went off the silver standard. The circulation of silver was suspended. All existing silver stocks were to be turned over to the Government. The privilege of issuing bank notes was limited to the three Governmental banks in Shanghai: the Bank of China, the Central Bank of

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China, the Bank of Communications. Their bank, henceforth, were the legal tender money of four hundred million people. Britain had preserved her China trade. China had preserved her financial order. The Bank of Communications, the hub of the new system, held immense powers. The controls, was mightier than ever before.

CHAPTER XII

Close-Up

IT was curious that death should be delivered to Shanghai in two installments. And it was curious that, between the first and the final installment, the city of the muddy flat should reach its greatest power. Shanghai had grown, had grown to be the fifth city of the world. It was rich and great and glamorous. And over-ripe.

You came to Shanghai for another visit, your last. It was in 1936, perhaps,—the year before the end. And you arrived there on a British ship, perhaps,—a mighty white ship with a remarkably well-fitting name: *Empress of Asia*. And the mud came streaming towards your ship hours before you saw land. Miles out in the open ocean, it polluted the Pacific blue, turned it into a brownish yellow. The ships of twenty nations, cargo and passenger ships, were pulled, by invisible strings, toward one point on the yellow horizon. And your fellow travelers went down to their staterooms to pack their things and to get ready for the landing.

The point on the yellow horizon was not a point at all. It was a bay of immense width, with short, quick, yellow waves: the Yangtze mouth. There were two faint bluish lines in the distant haze, and through your binoculars you could see that there were trees on those lines. A motor boat pierced the haze and your ship stopped for a few minutes, to let the pilot climb aboard. The faint bluish lines came closer now,

you could recognize a few houses. The wide bay I rowed, had become the lazy current of the Yangtze. It passed some outgoing ships—a large black freighter with the British flag, an American tanker, a fast up-to-date Chinese passenger boat on its way up to Tsingtao and

There was a turn, and right on the corner, there was the first Chinese village: Woosung. You remembered the first time; and you remembered 1932. Your big white ship was crawling up the Whangpoo now, slowly, with the incoming tide. There were stretches of good green Chinese fields on both sides, a few casual villages, with low houses and willow trees. Those large mounds were icebergs. And those small mounds were graves. Your ship had been dodging the junks by now. They were crowded on the river, sturdy wooden vessels, with two painted eyes on the prow, and with their dark patched sails sagging in the air. You passed by the properties of foreign oil firms and their silvery tanks. You passed by the Shanghai Power Company, one of the largest electric plants in the world, built by American interests for thirty-two million American dollars, seven years ago. And behind masts and sails and the ugliest and most imposing skyline of the world thrust itself into a grimy sky.

The last two miles of the trip you made by the steam company's steam launch. You were low on the thick water, and those steel gray cruisers, with their guns, submarines and airplanes, were looming big above you. They guarded the majestic front of the Bund, the white buildings, the banks, the firms and insurance palaces and office buildings and the freak domes, Greek columns, top-heavy gables. They stood, the white buildings, lined up along the river with a bland arrogance, looking across the muddy river with a triumphant air of profits and investments.

You strolled along the Bund, perhaps, the first time

in Shanghai, just to get acquainted. You started on its southern end, where it met the Quai de France, and with slow gravity, the massive fronts filed past you. The Asiatic Petroleum Building, on the corner of Avenue Edward VII, led the parade. Next was the Shanghai Club, stodgy and imperial, housing the world's longest bar. There was the Japanese Nisshin Kisen Kaisha, the British P. & O. Banking Corporation; the Commercial Bank of China and the China Merchants' Steam Navigation, both Chinese. Then, with its dignified façade and its colossal white dome, the Hongkong & Shanghai Banking Corporation, compact manifestation of power. Two massive bronze lions flanked the gate. Their paws and tails were shiny; too many Chinamen had petted them as they passed by, to get the strength of lions. . . .

The "Hongkong Bank" almost touched with its left shoulder the tall Customs House which had lost, by now, all resemblance to the picturesque Chinese temple of bygone days. You saw the old-fashioned and serious-looking faces of the Bank of Communications and of the Central Bank of China, strangely contrasting with the smart marble front of the Japanese Bank of Formosa. Next came the narrow-chested "Old Lady of the Bund"—*North China Daily News*, the tai-pan paper par excellence, and the British Chartered Bank, ranging in power and influence next to the dome-crowned "Hongkong Bank." And, on the corner of Nanking Road, you saw the homey-looking Palace Hotel.

You had arrived at Shanghai's most important intersection, the great caesura in the front line of the Bund, Nanking Road. You crossed the street, dodging a dozen rickshaws and one or two tram cars. Your eyes rose along the towering structure of the Sassoon House, Shanghai's tallest building, with its modernistic architecture, and with the large sign over the entrance which said Cathay Hotel. You walked around the building, looked into the windows of its elegant

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stores. Next was the old site of the German Club, which was the new site of T. V. Soong's Bank of China. After that, Japan's Yokohama Specie Bank, and Italy's Lloyd Triestino. Here was the famous Ewo Building, housing the rugged old firm of Jardine, Matheson & Co., and also the shipping offices of the Canadian Pacific Steamship Company. Next were the Glen Line Building, the French Banque de l'Indochine, the Japanese N.Y.K. And on its old luxurious grounds, reaching all the way to the bank of Soochow Creek, there was the British Consulate.

You did not go beyond this point. You did not cross that iron bridge that led over to Hongkew. You just had a glimpse of a maze of cabbage junks and open sampans, of the modern Broadway mansions, the old Astor House, and the Russian Consulate on the other side, and you turned back to the corner of Nanking Road. The hustle and the noise of a Chinese city sucked you in. There were a few blocks with Western offices and stores—Kelly and Walsh, the American Book Shop, Whiteway and Laidlaw, the American Drug Company, the Chocolate Shop. And then, this was China.

You were nudging your way through the crowd, a quickly moving, uninterrupted stream of Asiatic mankind, mankind in blue. They still wore their long blue cotton gowns, or their short blue jackets and black trousers, most of them, men, women, children. You could not help wondering why all these people should be pushing ahead, crowding the sidewalk, without any apparent purpose. You could not help remarking that they were the world's most orderly crowd, and extremely well behaved, except for their artful spitting. The shrill discordant sounds of a Chinese brass band came from an open window just above the traffic. A Chinaman's idea of advertising. No one paid any attention to it.

A strangely mixed traffic was milling along the winding road. There were the shining black automobiles of the tai-

pans and of the compradores. There were hundreds of primitive pushcarts and wheelbarrows, some of them pulled, on thick ropes, by a whole flock of sweating coolies—trucks were expensive and coolies were cheap, although the angle in which they bent their backs made you feel slightly uncomfortable, at first. (You would become used to it.) There were coolies who carried bales on bamboo poles across their narrow shoulders; sometimes there were eight or ten of them, carrying one immense burden with a clever criss-cross of strings and bamboo poles, stopping every twenty feet to breathe.

And there were rickshaws, many hundreds of them for hire, with their Municipal license plates. The pullers would pester you all along the way ("Rickshaw, master?") because white men were not supposed to walk. You saw those who had picked up a passenger weaving through the thick traffic with incredible skill. Swiftly they flew along, escaped miraculously the fender of an automobile, the shafts of another rickshaw. You stopped to look at some of their passengers. Few of them were white—an occasional griffin on his way home from the office, a Russian whore with well-shaped legs in silk stockings. Most of them were Chinese; there was a fat old man with a rooster . . . the rooster's feet were tied together and the poor thing was beating the air with his wings. There were others with carefully wrapped boxes and bundles that seemed to hold mysterious contents. There were two young girls in black pajamas, one sitting on the other's lap, both of them shaking with laughter. The rickshaws moved ahead, disappeared in the traffic. New ones came shooting out of the alleys.

Some of them were private rickshaws, to be sure. You could tell them from the public ones, at a glance. They were better kept, more carefully polished, more stylish. Well-dressed gentlemen with tight-fitting black silk caps and spec-

tacles sat ensconced on their cushions, and their pullers seemed to look down, with condescending grins, upon their less fortunate brethren. You might have been surprised to see some of them dressed up in exquisite jackets of diaphanous Canton silk; you did not know, of course, that it was the master's jacket, lent to the puller for a very distinct purpose: this type of silk was more pleasing to the skin after it had received its first soaking in human sweat. And the gentlemen with the tight-fitting black silk caps and spectacles never perspired.

Slowly you moved on, not quite certain whether you were the one who pushed or who was being pushed. You were one white man in the midst of Asia, hemmed in by the ten thousand blank and hairless faces that seemed to be only so many facets of one big unknown face. You saw the ten thousand faces and you saw their dark eyes and you were wondering. But the ten thousand were not wondering. Not a bit. No one would give you so much as a look.

Except the beggars. Horribly disfigured people would stretch their rotting limbs toward you. Half-starved mothers would hold up their half-starved babies, miserable, crying little bundles. Groups of three or four filthy children would descend upon you, demanding their kumshah. Old men would follow you for two or three blocks, murmuring pleas in the first block, obscenities in the second, curses in the third. And you were wise to drop your dragon coppers into their hollow hands. You did not know, of course, that in the fourth block they were likely to transfer some of their lice to your coat. You did not know that begging, as every other racket in this wide-open town, was organized as a monopoly. You did not know that those half-grown children were working for an unseen overlord; and that the half-starved mother had driven a pin into her half-starved baby to make it cry when you were passing her. You had not heard

of His Heinous Majesty, the King of Beggars, who was ruling this mendicant army from behind the scenes. For all his hollow hands, His Majesty might have extended a helping hand to you, at times: if you had left a brief case in a public rickshaw, for example, he was the person to see. His observant subjects had watched you hailing that rickshaw on the corner of Nanking Road and Thibet Road, had watched you on your way along the Race Course, had seen you getting off on Bubbling Well. They knew the rickshaw and they knew the puller, and you would have your brief case back in a few hours, for a moderate contribution to His Majesty's treasury. You did not know, of course, and you dropped your dragon coppers into big and little hands.

Up here, a mile away from the Bund, Shanghai's three great emporiums were flanking the street: Sun Sun, Sincere, Wing On—easily the world's most entertaining department stores. You stepped into one of them, found the place just as crowded as the sidewalk outside, although it was a somewhat more wealthy-looking crowd that clustered around the displays. There were no coolies among them. The coolies, in fact, were waiting outside, with their rickshaws, or just with their hands, ready to carry their masters' parcels. You looked around, drifted from counter to counter. The wares of Asia, Europe, and America were spread out before your eyes. French perfumes, Scotch whiskies, German cameras, English leather goods, and a bewildering mass of things Chinese: cotton shirts, cigarette cases, toys, pajamas, artificial flowers, ladies' slippers, rings and bracelets, silks.

On the third floor, where they sold material for women's dresses, you saw your first Chinese beauty. She was the daughter of a compradore, expensively dressed, neatly made up, very, very pretty. She wore a tight, ankle-length dress of light green silk, slit above the knee, with short sleeves and with a stiff little collar around her porcelain neck. It was the

Shanghai dress, in the style of 1936—she as well as every other fashionable young lady in China had to wear it. Shanghai, the metropolis by the Yangtze mouth, dictated Chinese fashions. So powerful was its command, that it overruled official Nanking. This lady wore her hair in a permanent wave—officially prohibited by the “New Life” prescriptions of the Government. She was slim and tender and aristocratic and she made you think of Li Po, in a Chinese department store. But you would see more of them, later, at the dance at the Astor.

They were the noisiest things on earth, those department stores. Somebody was playing records, all the time, and the tunes were amplified through loudspeakers of super strength. The Chinese loved noise, went crazy about it, and Shanghai offered its noises, as it offered everything else a Chinaman could ask for. It produced a great, grotesquely cacophonous rhapsody. It was in the department stores and in the open shops, in the factories and in the workshops. It was on the Bund.

All day long, the sweating stevedores of the Bund were shouting their somber tunes. All day long, they were singing that same thing—hai-yo hai-yo. It was a rhythmic, monotonous song, and they were singing it when they carried the burdens from the junks to the foreshore, or from the foreshore to the junks. Perhaps the rhythmic singing regulated their breath and made the work a little easier. It did not look easy, though.

There were no large piers on the foreshore; the Municipal Council had thwarted all attempts of shipping firms to buy their wharves in front of the Bund. The taipans had liked the idea of spoiling the beauty of their waterfront. Or was it fear lest the presence of large liners might interfere with the protective activities of the cruisers? There was

no large piers, and junks brought the cargo up to the Bund when it had been taken off the steamers further downstream. And from the junks, the singing coolies carried the bales and crates and barrels to the foreshore.

They carried their loads hooked to bamboo poles and they came jogging over the gangplank, in pairs, one behind the other. The heavy yoke weighed both of them down with equal pressure. Both of them were dripping with sweat. They dumped their load on the hard mud of the foreshore and ran jogging back to the junk, dodging the next pair that came singing over the gangplank, with its heavy load, dripping with sweat. They went jogging back and forth, all day long, howling their songs with hoarse animal voices, dripping with sweat. A hundred thousand coolies, dripping with sweat.

You could walk along there, in the boiling heat of an early afternoon, and see the crates and bales and sacks and barrels pile up on the foreshore of the Bund, between the white front of the banks and office buildings and the gray front of the cruisers and destroyers. The Whangpoo was at low tide and the sampans were stuck in the mud—so many of them that their wooden bellies touched one another. It was like a large parking space crowded with cars. And that is more or less what it was. they were Shanghai's water taxis; you could hire them for a few cents and go across to Pootung, or downstream to Yangtzepoo. But now, while they were lying idle, they were not dead. Tiny as they were, they were crammed with life. The sampan people were living on them and from your vantage point on the foreshore, you could look right into their "homes." You could see old women, with ankle-tied trousers, wash the tattered family laundry, or cook the family meal. You could see little girls with neatly braided pigtails hang the laundry over the oar to dry, or climb out of the boat to fetch some drinking water.

And a little later, you might watch the whole family qu assembled around the rice pot, each helping himself his chopsticks. They were peaceful and contented and in the mud. On their tiny craft, with their ducks and and children, they lived, ate, procreated, slept, wer died . . . the sampan nomads of Shanghai.

Shanghai was a Chinese city, there was no doubt abo Four million Chinese had settled down in the city o muddy flat which had become far and away the la human settlement on the continent of Asia. They were l their Asiatic lives, in dingy tenement houses, on river pans, on the sidewalks. A million of them were living i Settlement, and another half million in Frenchtown. T world and the world of those sixty thousand foreign c in their midst were light-years apart. The White Man the Chinaman had different names even for the streets buildings in the heart of the Settlement. On your m: Shanghai, you would not find the "Throwing Ball Fi the "Chessboard Street," the "Beat Dog" and "Stealing l bridges, "Iron Street," "Big Street," or the "Rising House."

In the crooked side streets and alleys, a stone's throw from Nanking Road, Shanghai was as Asiatic as Tibe noisy workshops, open to the street, the essentials of a C man's life were manufactured before his eyes. In some s! they only carved mahjong pieces. Next door, they i hats; or they filed brassware; or finished cotton gown umbrellas; or twenty gray-faced youngsters were hun over sewing machines; half a dozen nearsighted girls embroidering handkerchiefs. Outside, on the side people who had nothing else to do were watching. liked, especially, the silver shops where weighty ve miniature pagodas, and vases were hammered and pol into shiny perfection, were carefully put on the shel

good investments for anyone who had to give a little "squeeze" present to his friend, the government official.

In Chinese drugstores, uncanny things were on display. Baby-shaped roots, for miraculous purposes, were looking out of attractive little boxes. Dried frogs were piled up in heaps. There were herbs and fish bladders and preserved animal parts and patent medicines and a thousand jars and flasks and bowls. In cotton and silk stores, small armies of clerks were waiting for their customers: far too many employees for the size of the store, you thought; you did not think of all the cousins, nephews, brothers-in-law, that had to be taken care of. In his cage on the corner, safe from sudden attack, the corpulent money changer did a thriving business in lottery tickets and coppers. There were roughly three hundred and twenty coppers to the dollar; but the actual rate of "exchange" was rising and falling every day. If the dollar bought three hundred and twenty coppers today, it might be worth three hundred and twenty-two tomorrow. And the money changer, in his cage on the corner, grew a little more corpulent.

The noises and the sights and the smells of Asia were Shanghai, a stone's throw from Nanking Road. There were those cheap Chinese kitchens and restaurants with their fried ducks hung up as decoys, glossy with vermilion varnish, irresistible. Their smudgy counters were crowded, for the better part of the day, with customers, holding the rice bowls in their left, long wooden chopsticks in their right, most of them standing up, some sitting down. And even the coolie who had left his load on the curb, became a gourmet and relished the bits of seasoned meat or fish dished out with his rice. There were professional letter writers, sitting at shaky tables, handling their brushes with a scholarly air. They always had their customers, had to compose a girl's love letter and a shopkeeper's dun, all in the same flourishing char-

acters. There were, finally, those religious stores with their mystic smell, where you could buy incense sticks or loads of paper *cash*, the joss money that you would burn at funerals—little paper shoes, shaped like the old tael, strung up by the hundreds.

And right on Nanking Road, not so very far from Wing On's, behind a shabby stone wall with a wooden gate, there was a temple. A regular Chinese temple, not very luxurious, not very big, but just as sacred and remote as it would have been in the Western Hills whose far blue silhouette you could see from the city of Peking. You entered through that wooden gate, and the roaring traffic died away behind you. In this square, open courtyard, there was eternity. You smelled incense, you laid your hands on the bulging metal of the huge urn in the center, you saw that crouching old man who had not moved, you realized, for the last five hundred years. You dropped, maybe, a copper coin into that dust-covered receptacle, and as it disappeared with a clatter, you heard the minutes and hours and centuries trickle away in the same sound.

When you emerged, it was almost dark. In the stores and workshops of the side streets, the hammering, rasping, and screeching had stopped. A smoother, more melodic noise had replaced them: the click of the counting machines. A day's meager income was recorded.

In the cotton shops and silver shops and hat shops, in all the Chinese stores open to the street, they were having their evening meal. They were sitting around their big tables, the cousins, nephews, brothers-in-law; the nearsighted girls, the gray-faced youngsters, the clerks and sewers and hammerers and filers. They were sitting around their tables, with the big rice bowl in the center, and with little rice bowls in their hands. And with their long chopsticks, they took the rice out of the big bowl and put it into their little bowls. It was

dark outside and their stores, open to the street, were ablaze with light. For the Chinese loved light just as they loved noise. They were crazy about it.

On the 8.66 square miles of the International Settlement, a million Chinese were living their Asiatic lives. Still, this was not Asia. There were no floods and famines. There were no war lords. Thirteen different foreign flags protected a million Chinamen, protected them against their own government. Chinese policemen and Chinese tax collectors were kept out. Chinese prosecutors could not arrest Chinese subjects living in the Settlement; they had to ask the Municipal police to carry out the arrest. And the Municipal Council did not extradite a Chinaman without a preliminary hearing at which the Council was represented. Modern Chinese courts had taken the place of the old Mixed Court, and Chinese subjects were judged by Chinese judges, according to Chinese law. That the Chinese judges had to respect the Shanghai constitution and the Municipal ordinances above the Chinese law was understood.

Not all the Chinese were poor. In the precarious safety of the Settlement, large chunks of capital were held by Chinese interests. There was, for example, the old China Merchants' Steam Navigation Company, now controlled by the Nanking Government, and worth some seventy million Mex dollars. There were the Chinese banks that had floated, by this time, about a billion dollars in loans for the Soong Government. There were a thousand Chinese pawnshops, most important links in the fast-moving circuit of money and goods. (All of them were on street corners, and all of them had two exits. If Mr. Chen ran into his old friend Liang, who was just stepping out of a pawnshop, friend Liang could explain that he had only walked through the shop to avoid the detour around the crowded corner.) And

there were Shanghai's three thousand factories, eighty per cent of which were owned and operated by Chinese. Some thirty cotton mills, some forty rubber shoe factories, some forty canneries, some sixty tobacco plants and some ninety hat factories were the most prominent Chinese enterprises. There were the rich Chinese department stores, with their hotels, restaurants, and theaters. Their owners had their well-manicured fingers in a great many pies: Wing On's was interested in a cotton mill, a bank, in life insurance and in other branches of underwriting. There were plenty of Chinese restaurants and amusement places, motion picture houses, and a hundred or so radio stations.

Much Chinese property was registered with foreign consulates, under foreign names. The British alone held more than a hundred million Mex dollars' worth of Chinese property. This "beneficial ownership" was meant to make the safety of the Settlement doubly safe: the Chinese proprietor enjoyed the full privilege of extraliquity, was to be sued before the foreign consul.

But the bulk of Shanghai's "big money" was to remain in the hands of the taipans, to the very last. In terms of municipal voting strength, Chinese compradore capital counted but little. Out of the million Chinese who lived in the Settlement, only a few thousand were wealthy enough to vote under the plutocratic system of the Shanghai constitution. The death rate of the Chinese in the Settlement was 15.41, compared to a death rate of 14.27 per thousand among its foreign residents. Five out of a hundred dead Chinese had died from tuberculosis—one out of two bodies that were picked up in the streets was a victim of consumption.

And the well-groomed gentlemen of the Shanghai silver clique, the compradores and bankers, were not too safe—even in the Settlement. Thirteen foreign flags could well

protect them from Chinese tax collectors and district attorneys. But not even the British Consul General or the Chairman of the Municipal Council could protect them from the quick and merciless moves of the Shanghai underworld. They would ride to the office in the morning and they would open their mail and they would find a note asking for thirty thousand dollars. And this note would frighten the well-groomed gentlemen very much indeed.

In their palatial homes in Frenchtown sat Mr. Dou Yu Seng and Mr. Wang Hsiao-lai and knew nothing. They knew nothing about that thirty thousand dollars, nothing about the "Greens" and the "Reds," were entirely unaware of the world's largest, most powerful, most efficient underworld organization of which they were the leaders.

It was one of the oldest Chinese institutions. Its history went back to the Boxers, the Redhead Bandits, the Red Towel society. Age-old superstitions had been refined and blended, had been flavored with a dash of Taoism and adapted to a modern age. Before the Revolution of 1911, the two large secret societies which had crystallized from the mass of outlaw groups and bands had held sway in the interior. The "Greens" were all powerful in the provinces of the Yangtze Valley; the "Reds" haunted the rich districts along the banks of the Yellow River. Members of the two gangs recognized each other by subtle and inconspicuous gestures—you could tell a "Red" from a "Green" by the way he held his cigarette.

The two organizations had kept fighting against each other as well as against their southern rival, the "Three Spot Party." The spectacular growth of Shanghai, its safety, and its treasures, had attracted all of the big gangs. One by one they had transferred their headquarters to the city of the muddy flat. This transaction had been costly to both the "Reds" and the "Three Spots." They had their followers in

the distant interior and they were losing contact with them. Their power began to shrink; the "Three Spots" disappeared and the "Reds" carried on without much influence. But the "Greens," who were firmly entrenched in the Yangtze Valley, were able to use Shanghai as a base without sacrificing their old hunting grounds. They settled down in Frenchtown and became China's, and probably the world's, most powerful illegal organization.

Their activities were amazingly manifold. They ranged from opium smuggling, the management of gambling houses, robberies, kidnapping and murder, to the supervision of the detective section of the French police, the cornering of the gold bar market, and a variety of ordinary business dealings. Yet the fundamental idea of the organization was protection. It was not easy to join the gang; but everyone who had taken the oath was sure of the gang's support for the rest of his life. They would not let him starve. As he had sworn to sacrifice everything he owned for the sake of the others, so the others would do everything in their power to help him. An iron discipline ruled the gang; anyone who violated the rules, who acted without authority or against his leader's command, was punished with swift precision. Execution, preferably by ax, was the supreme punishment dealt out by the high command.

There was hardly a restaurant owner, a hotel manager, a banker, who had not bought his protection by either joining the "Greens" or by simply paying his protection fee. Woe to anyone who tried to remain outside. He might double the number of his bodyguards every year and still not be safe. There was no authority powerful enough to check the "Greens." And people willingly paid to buy their protection from the "Greens" against the "Greens." Flaring headlines telling of the latest kidnapping, front page stories presenting all the shocking details, served as impressive warn-

to every prominent Chinese in the Settlement. Foreigners were not approached directly. They had their dealings either the International or the French police which, in turn, would settle the account with the "Greens." Money passing back and forth quite freely, between the "Greens" and the police.

These facts are not set forth merely for the entertainment of the reader. They are important for the understanding of the inner mechanics of the Shanghai scheme. Without the monopoly of the "Greens," Shanghai would not have been Shanghai. These gangs were not societies of outlaws; they were the law. Everybody with a name, including the Municipal Council, had to knuckle under. The generalissimo himself, who had taken the oath as a youngster, was bound, for life, to obey their orders. There was a good deal of genuine idealism connected with membership in the gang. Some of China's best brains were members, among them several prominent lawyers who acted as legal advisers.

The intimate relationship connecting the "Greens" with the executive branches of the Shanghai government, especially with the French police, were advantageous for both parties. In criminal cases which baffled the detectives, the aid of the "Greens" was frequently enlisted. Police headquarters would simply call up Mr. Dou or Mr. Wang, and the case would be "solved" within a few hours. If Mr. Dou or Mr. Wang found that the culprit had acted without their authority, they would see to it that he received his punishment. This method was so highly practical that at one time Mr. Dou himself was made head of the detective section of the town.

The actual power wielded by the "Greens" far surpassed the influence of "gang" systems known in other parts of the world. Al Capone or Dutch Schultz, the classic bosses of American gangs, were small fry compared to Dou or Wang.

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No one ever knew the number of their retainers. An army of approximately one million men, scattered in the towns and villages of the Yangtze Valley, with their western outposts as far inland as Szechwan, would be a conservative estimate. In metropolitan Shanghai, roughly one hundred thousand members were actually enlisted. Among them were rickshaw coolies, shopkeepers, policemen, bankers, and practically all the operators and managers of gambling houses, restaurants, cabarets, hotels. To open a new restaurant or gambling house without the blessing of the "Greens" was utterly impossible.

The "Greens" were ruled by an exclusive hierarchy. There were several strata or "generations" of members; members of the same "generation" called each other brothers. Members of the next higher "generation" were their "uncles." There were innumerable ranks among the leaders, the highest being Da, Tung, Woo, Sho. Mr. Dou and Mr. Wang, the two supreme leaders, had divided the burden of responsibility between themselves: Dou attended to organizational, Wang to financial matters. Wang, in his capacity as financial boss, boasted the title "King of the Golden Mountain." The two Grand Vizirs lived in regal splendor. There was nothing that they could not have for the asking. They had their sumptuous homes, their ever-increasing bank accounts, their hordes of servants, their legions of concubines. They were so safe in their own metropolis that they could do with very small bodyguards. They were not afraid of anyone. And so great was their power that, in their personal careers, they could afford to "go straight."

Dou was one of the few great men of Shanghai who was actually born there. He hailed from Pootung, on the other side of the Whangpoo. He had received no education whatsoever. And he had worked his way up to the presidency of the Chung Wai Bank and the presidency of the Tung Wai

CLOSE-UP

nk, to the directorship of the Commercial Bank of China, Industrial Bank of China, the Kiangsu and Chekiang nk. He had become prominent as director of the Great na University, as president of the Jen Chi Hospital in ingpo More Far," as director of the Chinese Cotton Goods change and the China Merchants' Steam Navigation Comy in Shanghai. He had quit opium smoking (although he ined that withered look) and, under the guidance of a ng and beautiful actress, devoted himself to the more asant aspects of life.

Vang was even more successful than Dou in accumulating oidable offices. As most people in Shanghai, he was a ive of Chekiang. At one time or another, he was chair- a of the influential Chekiang Provincial Guild, chairman he Provisional Government of Greater Shanghai, high iser to the Ministry of Finance, and finally chairman of Chinese Chamber of Commerce in Shanghai. "Smallpox" ng had become the "Million Dollar" Wang. Everybody o has seen him will agree that he was the most formid- e looking creature ever to blight an Asiatic landscape.

To what extent the phenomenal success of the two Grand irs was due to the generalissimo's gratitude it is hard to Chiang Kai-shek went into conference with them at vari- times and, in 1927, the "Greens" had been the ones to cher stubborn Communists. It stands to reason that the eralissimo, somehow, showed his appreciation. Whoever ht have been the power behind their thrones: the two ses of Shanghai were riding high until the end. When y arrived, late in the evening, at one of the more ex- sive cabarets in Frenchtown, the guests, the waiters, and girls would nudge each other. And you could hear the ager whisper to the Number One waiter: "No chit for table."

CHAPTER XIII

The Shanghai Gentleman

THE city of the taipans was a city that bought and sold; it had been founded for this purpose, and buying and selling had remained its essential stuff. The lives of its hong, big and small, were the life of Shanghai. And if one or the other firm had dropped out during all those years, it did not matter as long as the ranks closed in again, as long as the pageant of taipan firms marched on.

The taipan firms were as alive as ever. True, the silver boom had left the taipans somewhat breathless. Too much of China's actual money had been sent away, and the purchasing power of the Chinese masses was greatly diminished. But most of the hong stood up remarkably well under the strain of rapidly changing conditions.

Jardine's was among those that had become heavily involved. A great many of their investments were frozen, and their large importing business was drastically curtailed. The necessary remedies, however, were produced by the "Hongkong Bank." The "Hongkong Bank" was the financial arm of the British Government, out here, and the "Hongkong Bank" would not let anything happen to Jardine's. Any damage to this great house, which was one of the offspring of the old East India Company, and whose taipan belonged to one of the most distinguished British merchant families in the Orient, would have cost the British too much "face." Hence

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kow and Tientsin, and which dominated the tobacco trade of China. Shanghai had become the center of China's cigarette industry, and the B.A.T. produced roughly one-third of Shanghai's total cigarette shipments. There was the ancient silk and tea firm of Gibb, Livingston and Co., the trading firm of Whiteway, Laidlaw and Co., and many others. And behind each British firm, there was the mighty "Hongkong Bank," at No. 12, The Bund, incorporated in the crown colony of Hongkong. Its taipan was Mr. A. S. Henchman, the name under which it conducted business with its Chinese customers: Way foong ning hong. It was still true to its original purpose, that of financing British business out here, and it was probably the most solid asset of the British trading community in Shanghai.

American firms, like others, had been struck by the depression that followed the silver boom. Moreover, despite their physical distance from Wall Street, American taipans had taken much interest in the American stock market during the prosperity years and had been hit, consequently, by the crash of 1929. Some were still trying to recover.

Standard Oil was in the van of the American trading community. As early as in the 1890's, John D. Rockefeller had begun to tap the vast Chinese market. The lamps of China burned brighter with his kerosene, and his company, under the hong name of Mei Foo, was doing a brisk business. China, by now, consumed 6,500,000 barrels of oil every year, and Standard Vacuum shared the control of the market with Shell's Asiatic Petroleum Company. Lubricating oil still accounted for the bulk of its sales.

Other American firms were the China National Aviation Corporation at 51 Canton Road (its stocks were owned, to the extent of 45 per cent, by Pan American Air Lines; the Chinese Government had the controlling influence), Eastman Kodak, Western Electric of Asia, Metro-Goldwyn-

Mayer, Paramount. The Shanghai Power Company, controlled by American interests, had a monopoly in supplying the Settlement with electricity. The Shanghai Mutual Telephone Company had been bought, in 1930, by the International Telephone and Telegraph Corporation. American automobile firms had their branch offices in Shanghai. The National City Bank, at 41 Kiukiang Road, was the financial power behind a large part of the American Shanghai trade, although it lacked the political strength of the "Hongkong Bank." The American *Shanghai Evening Post and Mercury* carried, for the entertainment of the American community, Ripley's "Believe It or Not," Dorothy Dix's column, and all sorts of syndicated nonsense.

The rest of the foreign nations were represented with their firms of international standing. The Japanese had their Mitsui and Mitsubishi, their N.Y.K. and O.S.K., their Yokohama Specie Bank and their Bank of Formosa. The Germans, who had flocked back to Shanghai soon after their wholesale deportation, were represented by Carlowitz & Co., the Deutsche Farben Handelsgesellschaft, the Siemens China Company, and Siemssen & Co. The French had their Messageries Maritimes, the Scandinavians and Dutch their big international shipping firms. And in the well-burnished brass plates with the names of all these firms, big and little, old and new, there was the soul of Shanghai. Shanghai—eight square miles of mud that had absorbed much blood and much sweat.

The gates with those well-burnished brass plates were guarded by Indian Sikhs, ferocious with beards and turbans. Upstairs, behind large windows, were white men in shirt-sleeves. They were working a little harder than their forebears, the taipans of the nineteenth century. Their office hours were a little longer, and there were always a few things that had to be taken care of today—not the day after tomor-

row. Air mail connections, via Hong Kong, with Britain, France, and America, had begun to interfere with their additional leisure. But the spirit of Shanghai's early age still lingered on. The White Man, behind his desk, was still king. He had more light and more elbow room than his colleagues in the city of London, and the big boss would hardly ever talk down to him. The White Man, even in the office of Standard Oil or "Butterswire," was the White Man's equal. And the Chinese staff, shroffs and clerks and bookkeepers were way below the wildest griffin.

Surely, not every white man was a taipan, in the Shanghai of 1936. Most of them had come out here as simple employees, on commercial contracts. The terms were five years' work and six to ten months' paid furlough in most British houses, a little less in many American firms. After the end of the first term, another equally long term would begin and so on. Salaries were far higher than those paid for civil jobs at home, and they were paid in American dollars instead of in sterling. Anybody who made more than 25,000 Shanghai dollars a year, was a taipan. The average taipan income was seventy-five thousand dollars.

Western firms had their offices all over downtown Shanghai—along the streets with the city names: Nanking Road, Peking Road, Canton Road; and along the streets with the names of provinces: Kiukiang Road, Szechwan Road, Kiang Road. (The city streets and the provincial streets cross each other at right angles, warp and woof fashion.) But the Bund had remained Shanghai's favored location throughout these ninety years, and the offices in the big white buildings were still superior to all others. Some of them were air-conditioned, by now. And out of their windows the Shanghai gentlemen overlooked the shimmering river below, saw the low gray silhouettes of their warships, and

the flat Chinese country behind Pootung. They were proud of Shanghai.

At four-thirty in the afternoon the white man left the office. If he was a taipan with seventy-five thousand a year, his big black automobile was waiting for him. Otherwise—he just took a rickshaw. One did not get much pleasure out of a motor car, anyway. Only one or two good roads were leading out of Shanghai into the countryside, and those were bandit-infested most of the time. So the white man took a rickshaw: one of those rickshaws that came shooting over from at least five different directions as soon as he emerged from the gate with the well-burnished brass plates. The puller lowered the shafts three inches from the tips of the white man's shoes. The white man stepped in.

He remembered the first time he had taken a rickshaw, the day he had arrived in Shanghai. The humanitarian misgivings he had had about being pulled by a fellow man. It had worried him a good deal, at that time, that his puller would inevitably die from consumption within a few years. It had troubled him to think of the puller's feet, swift and tireless feet, which had been running without shoes at first to get that leathery skin, and which now had a pair of straw sandals tied to them—insufficient protection from glass splinters, rusty nails, from the boiling asphalt. It had bothered him, at that time, to watch the naked brown back between the shafts slowly get wet. He had not liked it. And he had been a little afraid, that first time, that the puller might loosen his grip on the shafts, in which case he, the white man, might tip over backwards and break his neck.

It was different now. He had forgotten his misgivings and he had come to enjoy his daily rickshaw ride. He knew, now, that the dripping back in front of his feet did not consider his job as humiliating. He knew that this half-naked coolie

was a good sport, with his own, highly developed sense of humor; that he soaked his twelve-copper sandals in water to make them softer even at the risk of making them less durable. He realized that he was not afraid of consumption, but very much afraid of the heavy blackjack with which the Sikh policeman would beat him over head and shoulders if he forgot to stop for a red light.

The white man enjoyed the soft rhythm that came from the coolie's feet, through the shafts, rocking the rickshaw as it rolled along. No other vehicle was so relaxing. Gray houses, green trees, men and women in blue cotton, passed by—a slowly moving film. It was soothing to the nerves, after a day in the office. And the light breeze of a late Shanghai afternoon caressed the white man's face as he rode from the office to his home. He was not even afraid that the puller might loosen his grip on the shafts and that he might tip over backwards and break his neck.

The white man lived on Avenue Haig, or Hungjao Road, or Bubbling Well, or Great Western. Many of the seventy-five-thousand-a-year taipans still had their villas, out there. But the majority of the Shanghai gentlemen had moved into those modern, ten- or fifteen-story apartment houses that had been put up, by Sir Victor Sassoon and others, during the last few years. Some of them had been built on downtown lots, not too far from the offices, and the flats were cheaper, and just as comfortable as the pretentious villas. They had large windows, good ventilation, much air and much light. They had electric refrigerators and electric fans, and there were large bottles with drinking water in every room—Shanghai water had to be boiled before it could be drunk, and the bottles had narrow necks so that the "boys" could not throw pieces of ice into the disinfected water.

There, in his well-furnished apartment, the white man would have dinner with his wife or, if he was a bachelor,

with the other bachelors that shared his "mess." And, if he was a bachelor, he would go out shortly after dinner to have his fun. Shanghai was the place to give a bachelor all the fun he could possibly ask for. Throughout those turbulent years, through revolutions and civil wars, through crises and depressions, Shanghai had gone on with the world's most glamorous, most sparkling night life. Beneath a million brilliant lights, the cabarets and gambling houses, the theaters, tea houses, dance halls, singsong places, were jammed with customers. There was the jai-alai, up on Avenue du Roi Albert, where thousands of white and yellow men were winning slow and losing fast, every night. There was the Canidrome, where they had dog races and where they doped the greyhounds so persistently that one of the poor animals collapsed right on the track one evening. But Shanghai's greatest attraction was still its "cabarets," where the Shanghai gentlemen could dance with the girls for as little as ten cents or as much as one dollar a dance—according to the cabaret's class and reputation.

You drifted into one of those cabarets, an hour or so before midnight, you chose your table not too far from the floor, and you looked them over: the pretty Chinese girls with their slit silk dresses and with too much rouge on their soft checks; the glorious Russians with their décolleté evening gowns—Chanel and Molineux models, if you did not look too closely; the stupid and touchingly attractive Koreans; the slightly simian half-castes; the quick and clever Japanese. They were all sitting there, in a row, smoking their cigarettes, some of them giggling. And you bought your ticket and danced with them, and if you invited one of them to your table, you had to pay something extra and the girl had apple cider that turned into champagne on your chit. But if you wanted to go home with her, she would have to ask the management first.

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And so you made your rounds through the Ambassador, the Casanova, the Venus Café. You had a few highballs at the St. Anne Ballroom, on Love Lane, where the Filipino orchestra grinned, across the moving crowd, with shining white teeth. You had a couple of absinthes at the French Club, 290 Rue Cardinal Mercier, where the bar was a huge semicircle and where they admitted women—what women! You had beer or brandy at one of those cheap places over in Hongkew where you could pet a fourteen-year-old Chinese girl behind a filthy curtain. And you might wind up in "Blood Alley," where you went to get as much local color as possible, among the drunken soldiers and sailors of the armies and navies of the world.

You could have other, less stormy amusements if you were more discriminating or married. Shanghai did not offer much along the line of sophisticated entertainment. There was still no opera, no lectures to speak of, no Western stage. The first showing of a Hollywood movie, under these circumstances, assumed the proportions of a major event on the social calendar, with all the consuls and taipans attending, in full evening dress. Or you might have ventured to one of those dreadful performances given by amateur actors and actresses at the Lyceum Theatre. You might, perchance, hear the nephew of the Chairman of the Municipal Council sing.

On those hot summer evenings when Shanghai's asphalt streets were radiating the heat that they had absorbed during the day, Shanghailanders would go out to Jessfield Park to listen to the Municipal Orchestra. All the taipans would be there, and they would bring their wives. They would recline in deck chairs and look up to a dark ultramarine sky where scores of comets drew their gleaming paths. The Municipal Orchestra would play Mozart's *Eine Kleine Nachtmusik* and the faint suggestion of a breeze would comb the lawn.

Behold, beneath exploding stars, the taipans and their wives.

Some sixty thousand foreigners were living on the twelve square miles of the two foreign municipalities and on the few "outside roads" under their control. Nearly twenty thousand of them were refugee Russians who did not "count." Another twenty thousand were Japanese who kept to themselves. Of the remaining twenty thousand, nine thousand were British, four thousand Americans, two and a half thousand Frenchmen. The rest were Germans, Scandinavians, South Americans, and half-caste Portuguese. There was, in other words, a white community of less than twenty thousand people which played society. And this limitation gave Shanghai's social life a peculiarly intimate touch. In a metropolis of four million—small town rivalries and gossip.

The taipans and griffins, behind their desks, did not feel it so much. Their very jobs linked them with the great world. But the "tai-tai," the taipan's wife, felt it doubly, every day. Everybody, in this small community, knew everybody else. Everything was standardized. Four or five thousand other tai-tais were looking in through the window, and the remotest home on one of the outside roads was still on Main Street. There were certain things that had to be done and certain things that were taboo.

Shanghai's colonial character, of course, introduced accents that made the outward appearance of life look different from Main Street. Society was practically classless. Besides, there was much money. And the methods of spending that money were limited. Finally, the white tai-tai was not allowed to run her own household. The sacred imperial tradition forced her to leave this to a host of servants, and woe to the enterprising tai-tai who tried to cook her own stew. She would soon burn her fingers.

There would be five to seven servants, padding around the house on cloth shoes, dressed in clean white gowns. There was a Number One boy, heading the list, burdened with much responsibility and drawing a salary of twenty-five Chinese dollars a month. He might have been a rickshaw puller before, or a Number Two boy in the household of one of your friends. He would take a personal interest in the family and he would love his work. He would save most of his salary and invest it in a few acres of riceland somewhere near his home village. Under him, there would be a Number Two boy with less responsibility, one or two cooks, a sew-sew amah (Number One's wife), an amah for the children, one or two coolies. They would live in the servants' quarters and would run the household smoothly and efficiently. Their combined salaries would hardly exceed the pay for one or two servants in Europe or America. And in addition to their official salaries, they would take their "squeeze" out of the money for groceries and household bills. The "squeeze" would vary with the social position of the boss; it would rise and fall automatically with his annual income.

In turn, the boys would perform miracles: the tai-tai came home at 6 P.M. from shopping (or, maybe, she had had tea with that handsome young vice-consul) and said to her Number One: "Five piecee people dinner. Can do?" "Can do," said Number One, and "Talkee cook," said the tai-tai. That was all.

Two hours later, when the guests arrived, Number One served the most perfect and the most complete dinner you could get anywhere in the Far East, starting with cocktails and ending with ice cream, cheese, and coffee. And if some of the guests should notice that Number One, in these two hours, had "borrowed" some of their silver or their tablecloth, they would politely overlook the fact. They were

sure to find it in their cupboard again the next morning.

Utmost care had to be exercised in planning the diet, however. One could buy a great many foreign dishes in cans, and the Settlement's meat industry was closely supervised by the Municipal health authorities. The problem arose when it came to local vegetables and fruit. It was easy to contract dysentery, typhoid fever, or even cholera—diseases to which most Chinese had become immune. Foreign-style hotels actually carried "American apples" and "imported lettuce" on their menus. Domestic brands had to be cooked or at least peeled. But when, in early spring, the first fresh strawberries appeared on the market, there were few who could resist the temptation.

Occasionally, an enterprising tai-tai would attempt to introduce a new note into Shanghai's social life. Some American ladies pioneered, although not too successfully, in inviting both Chinese and foreigners to their homes. One of them, Mrs. Chester Fritz, who gave parties every Sunday night, prided herself on presiding over Shanghai's only "salon." Foreigners mingled with prominent Chinese—Madame Chiang Kai-shek and the "Young Marshal," Chang Hsueh-liang, were among her guests. But the hostess was too extravagant (she always wore a turban) to be taken seriously. Malicious people insinuated that her personality might have gone far towards stimulating the business of her husband, Chester Fritz, of Swan, Culbertson & Fritz, brokers.

But exceptions like this did not change the picture. The British style of life prevailed. The British had constructed the Shanghai scheme, and it was only fair to let them set the pace for Shanghai's social life. Most of the "do's" and "don'ts" were British, and a good many Americans were ignominiously absorbed by Shanghai's British atmosphere. They were absorbed to the extent of taking their tea with

cream, of saying "I cawn't" and "rawther," and waving "Cheerio!" to their friends. They dressed for dinner.

Twenty-seven ships, commanded by two admirals, had pulled out of Vladivostok in 1923. They carried a pitiful cargo: the remnants of the Czarist cause. Most of them were young people, the sons and daughters of Russian soldiers who had fallen in their hopeless fight against the Communists. They had nothing that they could call their own, no country, no money, little food and little clothing. Some of the ships went up the Yangtze, put in at Shanghai. It was around Christmas time and the taipans took pity. Eleven hundred Russians were allowed to land; among them three hundred and fifty young cadets.

It was the beginning of Shanghai's vast Russian community which was so different from the taipan group. For the first time, white men were doing manual work, were selling newspapers, peddling soap, running elevators—drudging just like ordinary Chinamen. Some were begging in the streets. The taipans were worried about the White Man's "face" . . . something had to be done about it. They created a Russian Battalion, a permanent, paid unit of the Shanghai Volunteer Corps. And the cadets were happy to join up. Others found work in the Municipal Police Force. But many remained on the street or kept damaging the White Man's prestige by serving as a Chinese general's bodyguard or by strutting before the entrances of the new downtown apartment houses as uniformed watchmen.

More Russians had filtered into Shanghai from Manchuria. They had come down the coast, in those little Japanese passenger boats, and they had settled down in Frenchtown, along Avenue Joffre. You could see the miserable trinkets that they had sold, golden watches and silver rings with the double-headed eagle, in the windows of the jewelry stores.

Some had opened bakeries, Russian restaurants, flower shops, dress shops, beauty parlors. Some had entered the professions. Some were artists. But few of those Russian men were able to live by their wits. They were not business men, initially, and they were lost in this money-making, fast-moving community. They did not like to go after things, preferred just to sit and think. Besides, they lacked sufficient funds for large scale enterprise. Thus it was only natural that Russian women were to play more prominent a part in white Shanghai than Russian men. They went into business, heavily, with no more capital than their beauty appeal.

They found a ready market. White women were still scarce, and Anglo-Saxon bachelors would risk their reputations if they were seen with Chinese girls or half-castes once often. Old-timers still remembered those good old horse-drawn buggy days when the few languorous blondes that had been imported all the way from Piccadilly were driving in the Maloo in their own cabs . . . and every gentleman had doffed his hat. But these days were gone. Practically every white woman in Shanghai was somebody's wife, and, though standards were not always rigid, love affairs would easily deteriorate into scandals in this small town. The Russians' daughters were sent home, at the age of twelve or thirteen, to go to school.

The Russians went into the cabarets as taxi-dancers. Those who were less attractive had to be satisfied with a place in the line of the brothels in Frenchtown. Those who were beautiful might have freelanced for a number of years, changed their men friends with the seasons, and been very much in demand. The Shanghai gentlemen would take them along to the Little Club to dance with them, under soft lights on a small and crowded floor; they would take them to the amusement to see the silly floor show; or to the dog races;

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or, once in a great while, to one of those stiff dinner dances at the Cathay. The Russian ladies would try to be glamorous and sparkling. And some of them succeeded very well, considering their petty bourgeois or Siberian peasant background.

It is, perhaps, safe to say that the immorality practiced at Shanghai was unique in the world. Somehow, it went with the atmosphere of the place, with its bold individualism, its greed. Somehow, it would have been illogical for the Shanghai gentleman to be what he was in business, and to be a plaster saint in his private life. It was the spirit of this wide-open city that took hold of the Shanghai gentleman and that made it often hard for the Shanghai lady to stay a lady.

Houses of prostitution were not tolerated in the International Settlement; in Frenchtown they were licensed. They had their shroffs and they sent their customers chits at the end of the month, like any other business establishment. The business in girls had come to be one of Shanghai's most flourishing rackets. A great many of them had come from Hangchow and Soochow. They had been bought at a rather tender age, cheaply; in flood or starvation districts, the agents could have them for a couple of dollars apiece. And if they were lucky, they could resell the choice ones for a thousand dollars in Shanghai. At the age of thirteen these children would spend their first night with one of the favorite Chinese customers of the house.

Shanghai boasted the highest figure of prostitutes, per capita, of any place in the world. There were more than twenty-five thousand of them, and most of them walked the streets. At night, when you came home from the movies, you could see them in pairs, all along Nanking Road: young, poorly dressed Chinese girls, strolling hand in hand with their elderly amahs. They were not a happy-looking lot, and one could not help thinking that some of them might have

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nd ways and means of going back to the village, if it had been for those nasty amahs. The International Police not take them very seriously. They were rounded up, regular intervals, had to spend a night at the station, and away with a trifling fine that was paid by their keepers: y could start in again the next evening. Nor did the ice interfere with those hundreds of "girl guide agencies" t were scattered all over town and that had become an egral part of Shanghai's million-dollar vice industry.

Mrs. Lockhart, sister of Sir Harry Parkes and wife of Dr. ckhart, the missionary, had been the first Western lady to foot in the city of the muddy flat. Her first name was herine and she had spent most of her time in sedan chairs l in church. She had died in England in 1918, at the age ninety-five. A good, old-fashioned type. And a far cry from streamlined model of the Shanghai lady as she presented self in 1936, a year before the end.

was a rather complex specimen, the Shanghai man. The st important element in his mental set-up, perhaps, was r. Out here, on the frontier of the White Man's empire, ee generations of taipans had lived precarious lives. They l held their few square feet of mud against the four hundred million Chinamen. Every so often, the four hundred llion had given drastic demonstrations of their hatred and their power. It had been a short time between shots, alys; and the intervals had become shorter of late. The nghai man was afraid.

He had all he wanted, out here. He had an apartment ich he could hardly have afforded if he had stayed in acuse or Sheffield. He had servants. He had his clubs, his ties, his ponies, his golf. He had women. And plenty of ney. And he looked out the window of his air-conditioned

office and saw that uninterrupted stream of mankind in blue, and was afraid.

He was riding in a rickshaw, and a sweating coolie who was about to die from consumption was holding the white gentleman's life in his very hands. He had his battleships, to be sure, and he had those husky, bearded Sikhs who beat the coolies with their heavy blackjacks, every hour of the day. Still, he was afraid.

For all his schemes and investments, the white man was a stranger here. He had not come to settle down for good, to raise a family, to build up something for his son and the son of his son to hold on to. This was not a colony, not Africa nor India. It was, by God, China. China was awful. The Shanghai gentleman had not come out with the idea of rooting himself in Shanghai's soil. How could he? It was all mud.

And even now, after all these years, the Shanghai gentleman was anxious to go home. After all these years, he would say the same thing that the first taipans had said to Sir Rutherford Alcock: "It is my business to make a fortune with the least possible loss of time. In two or three years at farthest I hope to realize a fortune and get away. And what can it matter to me if all Shanghai disappears afterwards in fire and flood?" Still, after so many years, the Shanghai gentleman had to "make haste," had to "snatch a fortune from the jaws of death."

In the city of the muddy flat, business was still adventure—adventure of the rough-and-tumble, cut-throat, glamorous kind. There was scarcely a business man who did not think of at least a dozen different schemes at the same time. The Shanghai gentleman was not interested merely in the sugar business, or the real estate business, or the tea business. He was interested in sugar, real estate, tea, silk, hides, submarines, copper, the stock market, railways, refrigerators,

airplanes, safety pins—all at the same time. As long as he cleared profits in nine of these things, it did not matter much if he failed in the tenth. He was open to new ideas, eager to venture into new schemes. He could learn much from those visitors who dropped in here on a quick trip from New York or Brussels, stopped at the Cathay, had a few conferences and left after three weeks, certainly not poorer than before.

The Shanghai scheme made things easy. There was no harsh authority. There was a benevolent committee of taipans who formed the Municipal Council, who had taken up the job of governing this town as an avocation. There were the consuls, whom the Shanghai gentlemen met at parties and at the bar and whom they patted on the back. There was no one to interfere with the individuality of their business, no one to force them to publish statements, even. If they were caught, the Shanghai gentlemen, their case would be attended to by the consul—their own consul. There might be a hearing some time next month. And there was plenty of time to book passage on a transoceanic liner in the meantime. The white man could go abroad . . . just as the Chinaman could go “Ningpo More Far” when things began to get hot.

The Shanghai gentlemen had new ideas all the time, and some of their ideas were clever. There was a man who wanted to build a bridge across the Whangpoo, to connect the Settlement with Pootung and to “develop” that section. There was a man who wanted to sell raisins and who told the Chinese women that raisins would give them boys (he could not be wrong by more than fifty per cent). There was, back in the nineteenth century, an American consul by the name of C. W. Le Gendre who wanted to be a general in the Japanese army and who told his friends in Tokyo to go ahead and take Formosa and to make him, Le Gendre, governor of the

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island. He was actually put in prison in Shanghai. There was an Englishman, by the name of Mason, who wanted to become Emperor of China. He sailed a ship with grand pianos full of ammunition up the river, and he got nine months. These cases were exceptional—in that they ended with prison terms.

One of the unfortunate "exceptions" of later years was an American, Frank J. Raven, who had come to Shanghai in 1904, a very pious man. With four thousand dollars he went into the real estate business and soon became the head of the substantial "Raven interests." He owned the Asia Realty Company, and he had branched out into banking: his was the American-Oriental Banking Corporation which had become one of Shanghai's important financial establishments. Raven did not drink, and every Sunday morning, one could see him in his front pew in the American Community Church. He was pious and respectable, and all the missionaries deposited their money with the American-Oriental Banking Corporation. Some missionaries were even invited to join the board of directors and Raven, as head of Shanghai's "missionary bank," became one of the pillars of the American community. He was made a member of the Municipal Council and president of the board of the American School. He had an estate on Hungjao Road; the assets of his combined enterprises were said to amount to seventy million Mex dollars.

When it came out that Frank was crooked, there was much wailing in Shanghai. Hundreds of missionaries and refugee Russians, who were not rich anyway, had lost all they had ever owned. Raven had gambled it away, had paid himself fantastic dividends, had opened bank accounts in Europe and America under assumed names; he had speculated and had failed. In May, 1935, he applied to the American court in Shanghai for a liquidation. Raven got

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five years in the Federal Penitentiary at McNeil Island. "Considerable responsibility for his misdeeds," said the *North China Daily News*, "rests with the community as a whole."

The most precious thing that Shanghai had, even now, was its own soil. The very mud on which the taipans had built this glorious city was worth its weight in gold. Within the last thirty years, the value of downtown lots had risen by exactly nine hundred and seventy-three per cent. Within the last seven years alone, their value had tripled. You had to pay more money for a piece of land along the Bund or lower Nanking Road than you would have to pay for the same piece of land in the heart of London or New York. The spectacular development of the Shanghai real estate business in those late years was due, largely, to the stimulating influence of Sir Victor Sassoon.

It had been one day in July, 1931, that Sir Victor had called the editor of the *Times of India* into his office to tell him that he was going to leave Bombay forever and settle down in China. This bit of news was flashed around the world and displayed on the front pages of the commercial sections of English, American, French, German, Italian newspapers. It was important—not only because Sir Victor was reputed to be the richest business man in Bombay at that time. He was known throughout the British Empire as one of the financial wizards of this age and his sudden decision was bound to create a stir. But, more than that, the world knew Sir Victor as one of the most eccentric Englishmen alive, and his horses had made as much history as his financial transactions.

Sir Victor's racing establishment, in fact, was the biggest in the East. Under the pseudonym of "Mr. Eve," he had raced his thoroughbreds over a number of years in Ireland,

India and China. Although his highest ambition, to win the British Derby, had not yet been fulfilled, he had come close to it in 1927 when his "Hot Night" came in second, and again in 1929. In that year, he had backed his "Gay Day" to the tune of ten thousand pounds sterling. Lately, Sir Victor had bought the famous English Kingsclere stables, and his "Mintmaster," in 1930, had won the Manchester Cup by a head.

Sir Victor was a golf champion, too; he had played the Prince of Wales and even Bobby Jones. During the World War, he had served as a captain in the Royal Air Force. A crash had made him limp for the rest of his life.

As for his millions, Sir Victor was known to be open-handed. Once, when Lady Irwin, the Viceroy's wife (later: Halifax) had mentioned her plans for a tuberculosis sanatorium in Sanavar, he had sent her a check for a hundred thousand rupees the next day.

And now, at the height of a great career, Sir Victor told the world that he was going to leave India. He had become an integral part of the British *raj* over there, and it seemed queer to think of India without Sir Victor. It was as if the Taj Mahal itself was walking off. What was the reason for his drastic step? In his interview with the *Times of India*, Sir Victor was tight lipped. "Unsettled conditions resulting from the Indian Nationalist campaign and the flight of capital" caused his decision. "The political situation does not encourage one to launch out in a big way for the time being," he complained. In China, he hoped to do business "on a large scale."

Intimate ties had linked the Sassoon family with the city of the muddy flat for a long time. Most of the immense Sassoon fortune, in fact, had been made in the opium trade. They had shipped the precious drug from India to Shanghai, and they had cleared millions of pounds. The old firm of

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.. D. Sassoon had been prominent in Shanghai's famous opium combine. Shanghailanders were familiar with the name. The Sassoons had drawn much money out of Shanghai; if Sir Victor was to bring all that money back to the settlement, there was a certain measure of retributive justice in his move. Moreover, Sir Victor was one of the world's most blue-blooded aristocrats. The Shanghai gentlemen were wondering what it would be like to have him in their midst.

The Sassoon pedigree went back to King David. But it was not till the twelfth century that the family, under the name of Ibn Shoshan, had stepped across the rims of a mythological past and settled down in Toledo. Spain was under the rule of the Moors, and Toledo was one of Europe's great metropolitan centers, great in commerce and art. The members of the Ibn Shoshan family soon became leaders of the town's highly respected and progressive Jewish community. They kept this position until, in the fifteenth century, the Moors were driven out of Spain and the Jews had to follow them into exile.

The Ibn Shoshans bounced clear across the Mediterranean and landed in Bagdad, on their feet. They had not broken anything. They were known as wealthy oriental traders, their name became Sassoon, and the head of the family was given the title "Nasi," meaning prince of the captivity and making him chief of Mesopotamia's Jewish communities. Three centuries later a Sassoon marched east through Persia into India. Anti-semitic riots had driven him out of Bagdad and, in 1832, he found an asylum in Bombay. He established a sugar factory there, went into banking and trade. His name was David.

It was the time of the great opium trade. The poppy fields of India and the Near East yielded a golden harvest, and British ships brought the sweet-smelling product to China's distant ports. David Sassoon was rich and powerful. His

family seal meant safe conduct through the no-man's land around the Khyber Pass where British troops were fired at by rebellious Afridis. David became a British subject. He sent his sons to English schools. His drafts were cashed, with a bow, from Bombay to Calcutta, from Delhi to Madras. When he died, in 1864, the house of Sassoon was among the most powerful in India.

Albert Abdullah David Sassoon, his son, made a name for himself as a philanthropist. In 1890, he was knighted by Queen Victoria, the first Sassoon to be a baronet. He lived in London and they knew him well, the ladies and gentlemen of the gay nineties. Sir Edward Albert, the second baronet, married Aline, Baron Gustave de Rothschild's daughter. He was a friend of King Edward VII, and held his seat in the House of Commons until he died. His son inherited both the Parliament seat and the title, thus becoming the first Jew ever to hold a baronetcy in the third generation. With his combined Sassoon and Rothschild fortune, Sir Philip was well equipped to indulge his cultured, refined, and extravagant pleasures. His country estates were acres of fragrant flowers. His city home was stocked with art treasures. He started his political career as Britain's youngest M.P., and became Undersecretary for Air.

Although one of the branches of the Sassoon family had stretched into China, the center of gravity of the Sassoon enterprises had remained in India. For a long time there had been no member of the clan in Shanghai. Hence the flurry of excitement when, in 1931, the head of the firm announced his decision to transfer his fabulous wealth from India to China and to move into Shanghai, lock, stock and barrel.

Sir Ellice Victor Sassoon had to live up to a reputation. There was the well-publicized history of his family—well-publicized except for the opium. There were his horses.

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There was his cousin Philip with his flower beds and his cousin Siegfried, the fox-hunting poet. There was his education: Harrow; Trinity College, Cambridge. There was his record as a member of India's legislative assembly, as member of the Royal Commission for investigation of labor conditions in India. There was his money.

No one knew how much money Sir Victor carried in his hip pocket when he landed in Shanghai. Some said eighty-five million; others: three hundred. Whatever it was, he made use of it in the most farseeing, ingenious fashion. He invested. He bought. He bought everything that could be had for money, and plenty could be had for money, in Shanghai. He bought real estate. The days of exclusive villas, of Victorian hotels, to Sir Victor's mind, had gone. He conceived the idea of a new skyline, of a Shanghai reaching up into the clouds, of taipan families living in lofty apartments with much light and with much air. And his ideas turned into steel and concrete. He bought the choice lots of Shanghai. He organized the Cathay Land Company and the Cathay Hotel Company. He took over the vast Nanking Road holdings of Silas Aaron Hardoon who had died the year Sir Victor arrived. He bought Arnhold & Co., with its extensive contracting interests. He accepted the chairmanship in his family's old establishment, E. D. Sassoon & Co., Ltd., bankers, merchants, industrialists. He controlled the Yangtze Finance Company and the International Investment Trust.

Sir Victor's companies were incorporated in British Hong Kong—he preferred the safety of the crown colony to the safety of the Settlement—but his tremendous store of ready cash was in Shanghai. He sowed his dollars all over the Shanghai mud and all he had to do was to haul in the harvest. He could not go wrong. Even the Shanghai War of 1932 (one year after his arrival) could not harm him· he had too much

money. He simply waited until those heavy clouds had blown over. Then, he went back to building Shanghai.

He built the Cathay Hotel, a twenty-story structure which threw a painful shadow upon the old-fashioned Astor House and the old-fashioned Palace, Shanghai's leading hotels heretofore. He put up the modernistic Embankment Buildings, with their comfortable flats, along Soochow Creek. His were the Metropole and Hamilton House, Cathay Mansions, and innumerable office buildings, theaters, stores and Chinese houses. He owned Shanghai.

What the taipans thought of Sir Victor and his activities is a delicate question to answer. Socially speaking, he was not altogether pukka. It was not only his Jewish blood—his intention to avoid British taxation by clearing out of India had been a bit too obvious. There were not a few among the taipans who held that the British Empire worked like a club and that it was unfair to enjoy all the privileges without paying the membership fee. Apart from that, however, there was a gap between Sir Victor and the taipans which was hard to overcome. He was not of them, had not grown up with all those traditions, prejudices and fears that made up the Shanghai mind. He had more money than anyone else and he could spend it in a new and bewildering fashion. He had come to Shanghai, six years before the end, a stranger; he had found a fertile field for new ideas and for new money. He embodied, perhaps, the highest perfection of the Shanghai scheme. There could be nothing after him—nothing except the deluge. Maybe that was why the taipans did not like Sir Victor.

Of course, you could not ignore him. You saw him, so to speak, from afar, before your ship dropped anchor at Shanghai. The pointed black tower of the Sassoon House, where he lived, had become the main accent on Shanghai's front. It was the only case, perhaps, in which any one man had become

almost identical with the skyline of his city. But not only in steel and concrete did Sir Victor cut a figure. With his mustache, his monocle, his characteristic limp, you could not overlook him. His features were Asiatic, somewhat Mesopotamian—a hangover, probably, from the times of his great-grandfather David. His parties were the talk of the town. He gave them at his villa “Eve,” on Hungjao Road, one great formal affair every winter, and occasional fancy dress balls. Those who had not been invited said that some of the costumes had been shockingly indiscreet.

One thing that reconciled some of the die-hards was the fact that Sir Victor had style. His regal whims were something no Englishman could derogate. He had indulged them in India, before this. But now, in Shanghai, his eccentricity took on new aspects. It was, maybe, the unconscious urge to impress the taipans, who were not his equals, and who acted as if they were his superiors. If this was his intention, he certainly succeeded. The taipans were impressed.

After the silver boom, when the Shanghai money market suffered an unprecedented stringency, Sir Victor was the only man in Shanghai who had money. His millions were still there, undamaged, ready for new investments. And the Shanghai gentlemen came up to his office at No. 1 Nanking Road, trying to “interest” Sir Victor in some of their ideas. He always listened to them and, sometimes, he complied with their suggestions. But, in most cases, the ideas were not big enough to interest Sir Victor.

One afternoon, for instance, somebody brought him a scheme for the manufacture of leather shoes. He wanted to import American machinery and introduce the mechanical process in the Shanghai shoe industry. Five thousand pairs of men’s leather shoes were made by hand in Shanghai every day; there ought to be money in this plan. Sir Victor listened to him, thought it over and called him back after a few

days. The idea was sound. But it would only interest Victor if he could have his own cowherds for the leather, his own tanneries, his own factories for the manufacture of shoes, and his own stores to sell them in Shanghai. For time being, he was sorry. It was the way his mind wor

The city of the muddy flat was a good hunting ground for giants. Sir Victor was one of them, the biggest. But it would hardly be fair to conceive of the average Shanghai businessman as a person with gigantic passions and gigantic schemes. They were there, to be sure, the gigantic passions and gigantic schemes. But there were thousands of people like those late years, who fitted into the Shanghai scheme as "little fellow," who had their plain little businesses to tend to, who were working hard for meager profits, who were satisfied with the life and the home and the pleasures of the petty bourgeois. They were averse to speculation, they liked the idea of "making haste." All they wanted was peace and quiet to carry on their trade. They had come to Shanghai here. They liked Shanghai.

In 1932, on the eve of new turmoil and excitement, a man rebelled against his fate and against the fate of Shanghai. He rebelled against it in a letter to the taipan-editors of the *North China Daily News*, and his outcry deserves to be quoted at length:

"Since I arrived in Shanghai some seventeen years ago I have been under arms as a member of the Volunteer Corps on probably a dozen different occasions—all, with the possible exception of 1925, in 'defense of the Settlement' in the cause of some change in the politico-military control in the surrounding areas. Always these occasions have meant a suspension of business, a period of anxiety and possible danger with no benefit whatever to us as a community, but involving much public expenditure and considerable financial loss

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many. 'Old stagers' of the mudflat days will smile when talks to them on the subject and say they have got used the idea, but are we content to see this sort of thing continue indefinitely through succeeding generations? Is there no sire to hand on something better to our children?

"We should organize ourselves as a community with a view to bringing about such a change in the present status as will enable us to live a more normal life with a measure of freedom and security far beyond that which we at present 'enjoy.' It is time the old idea that foreigners come to Shanghai for a few years and then go away with a fortune was tirely abandoned, if it still exists anywhere. It should be recognized that this is a place of permanent residence for most of us, and we have the right to demand that same degree of freedom and security which is the common possession of all civilized communities."

The letter was signed John England. The day after it was published, Japanese shells first exploded in Chapei.

CHAPTER XIV

Japan Goes to Town

ROME was not built in a day; Shanghai was. Rome changed its constitution with the changing times; Shanghai didn't.

In those last few years, with the smell of death already in the air, Shanghai was still run by the taipan oligarchy of the hong days. There were about five hundred men by now, in this city of four million, who could claim that proud title-taipan. Not more than twenty of them, the head managers of the Settlement's leading foreign firms, formed the inner circle that actively directed the fate of the community.

The Municipal Council was still the mouthpiece of the ruling white group. Its responsibility to the consular body and the "Ratepayers" scarcely influenced its policy. Direct contact between the Council and the ratepaying electorate was established only once a year, and this contact was perfunctory. The outgoing Council submitted its report, the new Council made its bow, and the twenty-five million budget was approved. Throughout its one-year term the Council was able to take action without anybody's restraining interference. It was far more independent than, say, the President of the United States.

The composition of the Municipal Council had been modified several times, but none of these modifications had changed the Council's character. The original Council of 1854 had consisted of seven members: five Britons, two

Americans. The membership had been increased to nine in 1869: seven Britons, two Americans. While the number of British Councilors remained constant until the beginning of the World War, the American community had, on several occasions, to give one of its seats to the Germans. After 1914 the number of British Councilors was gradually whittled down to five; in 1916 the first Japanese member was elected. And during the last decade a gentlemen's agreement among the ruling taipans held the membership at the fixed proportion of five Britons, two Americans and two Japanese.

These foreign Councilors were elected by the foreign ratepayers as a group. Franchise was based on two qualifications: the voter had to pay his minimum "rate" or land rent; and he had to belong to one of the thirteen treaty powers which enjoyed extraterritoriality. The second qualification eliminated the twenty thousand Russians and the sixteen hundred Germans. The first qualification eliminated ninety per cent of the rest. As the representation of the three leading foreign communities in the Council was known in advance, the mere nomination of candidates often took the place of the actual vote. Polling, under the circumstances, would have been a farce. The five Chinese members of the Council were chosen by the Settlement's Chinese community, independently.

The members of the Municipal Council were business men. They were interested in trade, shipping, insurance, and not in politics. This is, perhaps, the reason why they ran such an efficient government. But among their activities and obligations as Councilors were some that were far removed from the quiet orbit of a business man's life. There was, among other things, the responsibility for the International Police with its Chinese, Russian, Sikh, Japanese constables. There was, more important than this, the high command over the Shanghai Volunteer Corps.

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This remnant of the Taiping days was still alive—very much so. It had been modernized and augmented, and when it stamped across the Recreation Grounds for the annual parade, it was a sight to behold. One after the other they filed past the grandstand in front of the Country Club, with machine guns, clumsy tanks, up-to-date artillery: the Russian regiment, the Shanghai Light Horse, the Americans, the Japanese, the Portuguese, the Chinese. Two thousand men, altogether. The ladies and gentlemen on the grandstand were much impressed. And the Chairman of the Municipal Council lifted his top hat and saluted them.

In 1936 the Municipal Council was composed thus: H. E. Arnhold (Chairman) of Arnhold & Co., Ltd., merchants, engineers, contractors. In reality, Arnhold was Sir Victor's lieutenant. His firm had been taken over by the Sassoon interests and vegetated at No. 1, Nanking Road, under the management of a Mr. C. J. Meager. Sir Victor enjoyed dominating the Council in this indirect and rather inconspicuous fashion. He was out of politics, beyond the reach of political criticism. Mr. Arnhold, unfortunately, was not too popular with the rest of the taipans, who voted him out the following year. W. J. Keswick, the Jardine taipan, was next. In reality, Keswick represented the mighty Hongkong & Shanghai Banking Corporation which, like some other large foreign banks, forbade its own staff to mingle in politics. Jardine's had become a dependency of the "Hongkong Bank," anyway, and Mr. Keswick was a worthy spokesman for vested British interests. His family had made British history in the Orient for the last hundred years, he was well liked and respected. G. E. Mitchell, the Butterfield & Swire taipan, was on the Council, too. There was no rivalry between the taipans of the two outstanding British import and shipping firms. Brigadier General E. B. MacNaghten, C.M.G., D.S.O., R.A. (retired), of the British-American Tobacco Co., was

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next In reality, the General was not a tobacco man but a soldier and engineer; he had been made a Councilor because of his high personal reputation and his extremely valuable connections in London. H. Porter, the Director of the *North China Daily News*, was the fifth British member. He represented the "Old Lady of the Bund," and that was a lot to represent.

The two American Councilors were A. D. Calhoun, sub-manager of the National City Bank, and Cornell S. Franklin, a prominent attorney and one of the most highly respected members of the American community. The Japanese had delegated the Mitsui and N.Y.K. taipans, T. Urabe and T. Yamamoto. The Chinese members were Singloh Hsu, general manager of the National Commercial Bank and chairman of the Taishan Insurance Company; William Gockson, of the powerful Wing On Company; Yulin Hsi, of the Shanghai Commercial and Savings Bank; Eugene Y. B. Kiang, attorney; and famous Yu Ya-chin, reputedly Dou Yu Seng's man on the Council. He had his own vast banking, shipping and textile interests and most of those who knew him considered him a queer but not unpleasant old rogue. His secret connections with the powers of the Shanghai underworld made him useful as a go-between in many delicate cases involving the Council's relationship with the Chinese community.

Thus, every one of the great powers that ruled Shanghai was represented, directly or indirectly, in the Municipal Council. British influence still dominated the administrative machinery, despite the fact that only five out of fourteen Councilors were British. In the minor ranks, where the technical work was done, practically all important posts were held by British subjects. The finance department, the Secretariat, the police, were firmly in British hands. The Volunteer Corps was commanded by an active officer of

Britain's regular army and used British arms and ammunition. And the British consul's advice carried considerable weight with the Municipal Council.

There was much to be said in favor of this preponderance of British influence. The British had made Shanghai. About three-quarters of Britain's investment in China, amounting to more than a billion dollars (U.S.), was concentrated in Shanghai. Shanghai's public utilities were in British hands. Most of the taipans were British. And one out of every two foreigners, excluding both the Russian and the Japanese communities, was a British subject. Besides, the British Councilors and civil servants discharged their duties in the spirit of impartiality and in line with the British tradition of fair play. Even bitter critics of the Municipal Council admitted that, throughout its history, its foreign members had acted as representatives of the foreign community as a whole, regardless of nationality. The close and sincere cooperation among the British, American, and Japanese administrators of the International Settlement made the Municipal Council one of the world's most effective governments.

It remained for the Japanese to throw the monkey-wrench into the smoothly functioning Shanghai administration. Japan, too, had its large investment in Shanghai—more than two hundred million dollars (U.S.). A fair degree of prosperity had returned to Japanese firms after the sudden setback of 1932. The Japanese community was more numerous than all other extraterritorial communities combined. There were more than two Japanese to every British subject. And yet, because of plutocratic franchise laws, the Japanese commanded less than nine hundred votes, compared to thirteen hundred British and four hundred American votes.

This greatly annoyed the Japanese. They disliked the

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rôle of Cinderella among the foreign nations of the Settlement. It was not so much actual criticism against the policy of the administration that made them challenge the status quo, as the typical Japanese "inferiority complex." The existing distribution of influence, to their minds, ignored Japan's position as one of the great powers of the world, and her position as Asia's Number One nation. Japan's national prestige required action, and there was nothing to keep the Japanese from going into action in a most undiplomatic way. They had broken away from the united front of the taipan powers in 1932 and they were ready to disregard, once more, the interests of the foreign community as a whole. With the Chinese Government still bent on the abolition of extraterritoriality, with Shanghai's Chinese community still clamoring for nine instead of five Chinese Councilors, the white taipans were watching their step; let sleeping dogs lie. Not so the Japanese. The little brown fellows came dashing down the Bund, with their big sticks, and chased all the sleeping dogs off the sidewalk.

The business of voting was still handled as a rather casual affair by British and American residents. Seven out of ten Anglo-Saxon voters stayed at home when the elections were actually held; at the annual Ratepayers' Meeting, only a beggarly handful of white residents appeared. While the reason for this neglect of communal affairs was, overwhelmingly, plain indifference, there were some "little fellows" by now who protested that the British and American Councilors were only spokesmen for big business. Those malcontents complained against the monopoly of the "inner circle" and refused to participate in the "family party" of the top-ranking taipans.

The Japanese, on the other hand, had shown much activity in municipal affairs of late. They had mobilized their entire community. Nine out of ten Japanese went to the polls and

cast their vote at the elections; and at the Ratepayers' Meetings the Japanese marched in as a solid bloc.

In 1935, the Japanese had approached the "inner circle" with the proposal to nominate three instead of the customary two Japanese candidates. With much diplomatic skill, the British taipans had talked them out of their intention, and the 5:2:2 ratio was left unchanged. But the next year the Japanese renewed their campaign for greater representation on the Council. And this time they could not be fooled. They simply named three candidates and stood back to see what would happen. In their campaign, they clamored for "a more democratic franchise," and, as the only way to obtain a third seat was to snatch it away from either the British or the American community, they concentrated their efforts on voting one of the seven white Councilors out—and voting their third candidate into his place.

The Britons and Americans took up the gauntlet. If the Japanese succeeded, white representation on the Council would sink to a minority. British and American Councilors would command six out of fourteen seats, and whenever the Japanese should see fit to team up with the five Chinese members, a solid Oriental bloc would dominate Shanghai's administration. It was the yellow peril—Asia for the Asiatics. And the British and American communities decided to fight for an "international front" of seven white men while the fighting was good.

British and American voters were informed that they were to vote for the seven Anglo-Saxon candidates and for no one else. The support of other white nationals was solicited. For the first time the old principle of mutual voting support among all nationalities was set aside. White voters shed their apathy and rallied, with a great deal of enthusiasm, behind their own candidates. The poll, taken at the Administration Building on Kiangse Road, was the highest yet recorded.

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The seven white men were elected. The three Japanese candidates had received only Japanese votes; two of them were in. . . . The status quo, once more, was preserved.

The evening after the election, the leaders of the Japanese community convened for dinner at the Japanese Club. They were disappointed and very angry. As the meal went on and as they had more sake, their anger rose. They did not understand why the Japanese vote had been so small. The Japanese community had been prepared for this election many weeks in advance, its feelings had been methodically aroused, and yet it had turned out a meager vote. They did some figuring and found that a considerable number of Japanese voters must have stayed away from the polls. Where was the proverbial discipline of Shanghai's Japanese community?

At this point a spectacular thing interrupted the heated conversation. Hayashi-san, head of the Japanese Street Unions, picked up a knife from the table and slashed—not his abdomen—but his finger. The others looked on in silent horror. It was the next thing to hara-kiri. Blood poured from Hayashi-san's hand. He grabbed a large piece of paper and drew, with his blood, some Japanese characters: I assume full responsibility for what has happened. He held the paper up so that everybody could read it. And, according to the Nipponese code of honor, Hayashi-san had exonerated himself.

Poor Hayashi-san. He had not done anything that required such painful atonement. There had been a mistake, to be sure, a grave mistake; but Hayashi-san had nothing to do with it. As head of the Street Unions, he had seen to it that no Japanese vote was lost. And the Japanese voters had done their duty and cast their votes, each one of them. Then, at the Administration Building, the British officers in charge of the election had overlooked a box with 323 votes. Three

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hundred and twenty-three votes, mostly Japanese, had not been counted.

It was one of the most embarrassing affairs that had ever happened in Shanghai. The consular body had to go into action; it declared the election invalid. A new campaign, with all its excitement, was imminent. But the disappointed Japanese, who had done some more figuring, realized that even a hundred per cent Japanese vote would not put three candidates into office. To succeed, they needed white support. White support they could not get. And so, in order to save both face and trouble, they withdrew their third candidate, the amiable Toshi Go. The nominations were in line with the 5:2:2 ratio again. No second election was necessary.

One year before the end: a last victory of the white front.

The humiliating draw of 1932 had taught the Japanese a military lesson: it was difficult to take a city like Shanghai with an invading force. The defenders who knew the terrain and who had time to prepare their positions would always have the edge over an army fresh from Japan. To attain victory, it was imperative to establish a Japanese foothold *within* Shanghai, to train a nucleus army whose members knew every creek, every alley, every dark corner in the city of the muddy flat.

Officially, the Japanese still contended that, in 1932, their army had been "the sole active guardian of all foreign rights and treaty privileges in China." Now, with the emergency over, they were trying to perpetuate this dubious "guardianship." One could go up to Hongkew Park and marvel at the stronghold that they had erected there—for the protection of their nationals. It was a veritable fortress, equipped with all modern gadgets, covering two entire blocks. One could stand there, in front of the gate, and watch the bluejackets drilling in the open courtyard. They were marching round

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and round, singing those rousing staccato songs and, looking in through the gate, you could see only a sector, could not tell how many there were.

According to official information, the Japanese kept eighteen hundred men in their fortress. According to official information the eighteen hundred were a "naval landing party." They really wore blue sailors' uniforms and slept in hammocks. But they had everything in the line of mechanical equipment, from tanks to anti-aircraft guns, that a modern army needed. They were a group of picked, exceedingly well-trained youngsters, and they were enthusiasts for maneuver. Every so often their big brown trucks came roaring down Nanking Road, at full speed, loaded with scores of heavily-armed soldiers, an awe-inspiring sight. Not even the bearded Sikh policemen dared to stop them at intersections, and the frightened Chinese would look after them with blank faces.

Other nations had permanent garrisons in Shanghai, too. They had stationed them there because they did not want to be caught napping by another sudden emergency, and because the brave Volunteer Corps was hardly sufficient to defend the Settlement. There were British, French, Italian forces, and the famous Fourth United States Marine Corps. Those garrisons were under the authority of their respective governments, and did not take orders from the Municipal Council. But none of them was so conspicuous and provocative as the Japanese. And all the time the Japanese were preparing to increase their "naval landing party" by three thousand more men.

There were, toward the end, more signs which showed that Japan had decided to proceed, regardless of the fate of the foreign community as a whole. The Japanese Government had authorized the Shanghai houses of Mitsui, Mitsubishi, and the Yokohama Specie Bank to issue their own

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paper money in Shanghai. The notes were made out in yen and distributed among the Japanese factories and shipping concerns. The sixty thousand Chinese workers in their employ received them in their weekly pay envelope and had to spend them in Japanese stores and restaurants. Pin pricks like this did much to antagonize the taipans.

Maybe it was natural, in the face of Japan's drive for the Shanghai monopoly, that the taipans drew closer to the Chinese. In the commercial field a new era of genuine co-operation seemed to have begun. Anglo-Chinese relations which had been precarious, to say the least, appeared to be re-established on a cordial basis. New Chinese markets were opened to British goods, and things began to look more prosperous than for a long time. After seven lean years, and after the depression that had followed the silver boom, the British taipans were rubbing their hands in anticipation of new, fat profits.

For the last time, the Shanghai trade changed its character. Textiles were no longer in the foreground; China had begun to produce a substantial share of the cotton cloth she needed. In other categories, chiefly in the field of cheap consumption goods, Japan definitely dominated the market and there was no point in trying to compete with her. But the industrial program which was now being tackled energetically by the Soong Government required a great deal of capital goods—machinery, electrical equipment, railway material, steel and iron goods. This is where fresh fields were opening to British industry.

The bales and cases and boxes that sweating coolies piled up on the foreshore of the Bund contained new and strange things. Apart from the turbines and girders for China's industries there were fragrant and expensive things for the Chinese lady: perfumes, face powder, a hundred and seventy-

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five thousand dollars' worth of vanishing cream. The Chinese lady was dressing up for a great party. Iron rails and lipsticks, radios, and cameras. Dumped along the foreshore of the Bund.

Nearly two billion Chinese dollars' worth of cargo was handled by the port of Shanghai during its last normal year, 1936. Nearly sixty per cent of China's total imports were flowing in through this wide-open door. And more Chinese products were leaving the port of Shanghai than before—hides, cereals, ores, animal products, vegetable oils, beans. With over eleven million tons of shipping, the British flag was leading in Shanghai's trade, followed, at a respectful distance, by the Japanese (6.3 million), the Chinese (5.6 million) and the United States (2.7 million).

Things began to pick up. With the old taipan optimism, the Shanghai gentlemen went to work, forgot that the first installment of death had been delivered and that there were signs that the second was on its way. After the stringency of the last few years, the money market was easy again. Plenty of money was afloat, could be obtained at low interest rates. Many of the industrial plants that had closed down during the depression, reopened with the help of the Shanghai banks. Commodity prices went up; the wholesale index rose from 103.3 at the end of 1935 to 118.8 at the end of 1936. The Chinese Government carefully watched the exchange rate of the dollar, kept it stable. Uncertainty no longer paralyzed the Shanghai trade. Business was brisk. Shanghai, no doubt, was in for another boom.

The Leith-Ross mission had reported so favorably on British prospects in China that the British Government decided to send a permanent trade commissioner to Shanghai. It chose Mr. W. M. Kirkpatrick who went out under orders from the Export Credits Guarantee Department of the British Treasury. His job was that of an insurance company.

From his office on the Bund he stimulated British business by underwriting individual transactions. He vouched for the Chinaman's solvency and reduced the credit risk of the British merchant. The taipans, for once, wholeheartedly approved of the British Government's China policy.

Even the Chinese Government functioned to the satisfaction of the taipans. From their comfortable drawing room in Frenchtown the mighty Soongs extended a helping hand to Britain's new commercial pioneers. The genial compradore aristocracy, with their pleasant accents, did business with taipan firms. And what did it matter if China, the unknown continent behind the Bund, remained hostile and aloof? One could not do business with the Chinese peasant anyway. It never had been feasible, never would be. The Chinese peasant, one out of four hundred million, was still sitting in his ramshackle village up-river—his body deformed by boils, his bones brittle from malnutrition, his face stained with the traces of smallpox, his clothes filthy, his sleeping quarters verminous, his children playing in smelly pools along with sick dogs and underfed pigs. Thus the Chinese peasant, in his ramshackle village up-river. Thus the four hundred million, crammed together in narrowness and darkness and filth, waiting for the next flood, the next crop failure, the next war, to come and squeeze them out of existence; too strange, too hard to understand, and too hard to handle. Thus China, awful and aloof. And in their comfortable drawing rooms in Frenchtown, the genial compradores with their pleasant accents.

The mighty Soongs ruled over the largest nation on earth. A clan of Asiatic titans who had sprung from the chaos of revolution and strife held in their hands the destinies of China. They did not sit enthroned beneath the golden roofs of the Forbidden City; but they were China's last great

dynasty. Their council ruled over the armies, the finances, the foreign and the domestic policies of their realm. And Shanghai, the metropolis, was in the shadow of the two colossal brothers-in-law: Chiang and T.V.

Chiang Kai-shek had exactly ten years to make good. As the head of the National Government at Nanking, he did great work. After two decades of constant revolution, civil wars, political disorder, China was united again. Step by step, he had subdued the warlords, had given the vast territory under his control a sound civil administration. In one of his three private planes (one of them was a German Junkers; the second, an Italian model, was a gift from Mussolini; the third, his favorite, an American Douglas) the generalissimo dashed off on sudden trips, inspected provincial capitals, irked his officials with surprise visits. It was a new thing altogether: authority had been hidden away in distant clouds, for the last four thousand years, in China. It had never come down to earth, with lightning force. One by one, the former enemies were won over. They feared, admired, respected him—even if they did not love him.

As long as his army loved him, Chiang did not care. And as long as T. V. Soong and his friends, the Shanghai bankers, saw to it that his army did not have to go without pay. It was the best-equipped, best-fed, best-disciplined army China had ever known. They were Chiang's "own" soldiers; and they were loyal. But still closer to him, and a trifle more reliable, were his Blueshirts—secret blood brothers, carefully picked from the ranks of Dou Yu Seng's "Green" gangsters.

Those who had known him before, in the stormy years of the revolution, hardly recognized him now. In his simple Western style house outside the high walls of Nanking, he was sitting behind his desk—a wiry, unpretentious man, modest, almost shy, very silent. He was a Christian now, a Southern Methodist. He enjoyed reading the Bible, along

with the Chinese classics. He did not smoke nor drink nor use stimulants: he had hot water when others had tea. It was, perhaps, the most remarkable case of one man's victory over himself. The ruthless, uncouth and often brutal youngster had turned into a mellow and mature statesman.

No longer did the generalissimo think of chasing the foreign devils out of China. He invited them, paid them high salaries, asked for their assistance in building up a new China. There was hardly a government department without some foreign "help." Chiang's respect for foreign expert knowledge went so far that he used it even for the modernization of his "own" army. He had hired a group of highly efficient, talented German officers, who put their loyalty to him above their loyalty to Hitler, and who stuck to him until the bitter end. In a class by himself, among all the Westerners employed by Chiang, was William Henry Donald, his closest foreign friend and highest adviser. Donald, who had been a plain Australian newspaperman before he started his career in China, was the Old China Hand *par excellence*. He had never bothered to learn Chinese, did not touch Chinese food, and was one of the few men alive who could tell the generalissimo that he was wrong; he spent the better part of his time doing so.

Foreign visitors who came to see Chiang Kai-shek were received with utter politeness. His charming and intelligent wife, May-ling, was the interpreter—for the generalissimo still pretended to understand no English. "Madame" had ripened, along with her husband. She was no longer interested in her violin which she had played so atrociously at Wellesley. She was absorbed in the New Life Movement, a reform drive that Chiang had started in 1934. She was busy with a dozen schemes for the improvement of social conditions in the Soong empire. She was ambitious but level-headed—a social worker with a flair for politics. She sat in

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a swivel chair on a tiger rug and worked indefatigably. As China's first lady she made a good hostess. Chiang liked to have her with him at all official events. Only occasionally, when May-ling chatted too freely with his foreign guests, a shadow passed over the soldier's forehead. But she won friends for him. Even the missionaries forgot what he had done to them, not so long before.

Once he had broken with his past, there was no doubt about Chiang's sincerity. And it was this sincerity which won him the respect of Chinese and foreigners alike. The taipans knew that, with Chiang at the helm, China was a country they could do business with; for Chiang needed T. V. Soong, T. V. Soong needed the Shanghai bankers, and the Shanghai bankers needed the taipans. A pleasant merry-go-round. And the Chinese knew that Chiang, the ardent patriot, the brilliant soldier, would fight to preserve China's national integrity.

In 1931 they were disappointed. Imperial Japan swooped down upon the rich lands north of the Great Wall, overran the garrisons that were stationed there, established her own Japanese administration. Manchuria became Manchukuo. Chiang did not move. He sat there, in the privacy of his modest residence, and had no comments to make. He did not challenge Japan. He did not fight China's holy war against the national enemy. And when the Japanese went on a rampage in Shanghai, when the country clamored for armed resistance, he left the defense of the strategic Yangtze mouth to the unauthorized horde, the Nineteenth Route Army. He did not move.

He knew why. China was not ready. There was not enough money, not enough mechanical equipment, not enough unity. Chiang, the ardent patriot, had learned to wait. He swallowed the loss of Manchuria, swallowed humiliating references to his "pro-Japanese" attitude, made by General

Tsai, the flat-nosed hero of the Shanghai war. And this ability to wait, to swallow his pride and to be reasonable, was probably the greatest thing about the "reformed" generalissimo.

During the five years that followed, he played hide-and-seek with the Chinese Communists. He, the former "Bolshevik," chased them from one province into the other, never caught them, never did them much harm. He had almost a million men under arms, chasing Communists. It cost much money; but it was perfect training for both: the Communists and the army. Chiang was a busy man in those years.

And all the time, Chiang was building military roads and fortifications. All the time, he was hardening and augmenting his army. All the time, he was negotiating with the remnants of former provincial governments, for the sake of China's unity. He was successful in this task: in 1936, he managed to bring the independent leaders of the Canton Government under his authority. He had moved his armies to the boundaries of their territory, had risked civil war. They yielded without a fight. Two great and rich provinces were added to his realm. The important Canton-Hankow Railway began to operate. China's unity had become a fact. It embraced all provinces, all factions, all groups—except one: the Communists.

They kidnapped him. It was in December, 1936. The generalissimo, who had just celebrated his fiftieth birthday (the Soongs had presented him with an air force) had gone to inspect the dangerous northwest. There, in the remote mountain regions of Shensi, he had left the "Young Marshal," Chang Hsueh-liang, to pacify the Communists. Instead of pacifying, the Young Marshal had made common cause with them. Chiang, unaware of the conspiracy, had taken quarters in an empty temple at Sian-fu. He was awakened by shots, saw his bodyguards killed, slipped a light gown

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over his nightshirt, scaled the high wall in the back, fell into a moat, hid in a mountain cave, shivering. They found him there and locked him up.

Word came to Shanghai that the generalissimo was dead. The news hit the Bund like a bombshell. It was the first major catastrophe in more than four years. It was as if the Hongkong & Shanghai Banking Corporation had gone into bankruptcy. For the first time, the taipans felt concern for a Chinaman—just as much, in fact, as if he had been one of them. Without the generalissimo, China was bound to relapse into civil wars and chaos. Business would be ruined.

The actual contents of those delicate negotiations which finally ended with the generalissimo's release, no one will ever know. But the thirteen days Chiang had to spend in captivity at Sian-fu were the first acid test of China's unity. They stood solidly behind the kidnapped leader, the officials and the generals, demanded his liberation, denounced the rebels. After the generalissimo's release, the Young Marshal flew, along with his victim, down to Nanking to stand trial. He was sentenced to ten years for high treason, and was pardoned by the generalissimo who had not deigned to speak to him during the time of his captivity. When Shanghai received the news of the generalissimo's freedom, its four million Chinese inhabitants celebrated with an orgy. Parades stamped through the streets, noisy orchestras played all day, thousands of firecrackers popped. The crowds were crazy with joy. And the taipans, in their offices along the Bund, were greatly relieved. They did not blame the Chinese for their burst of enthusiasm. But the din of those firecrackers that roared through the whole immense city made them a little nervous. It sounded too much like machine-gun fire.

The Chinese Government was closer to Shanghai than ever before. A number of governmental departments were housed

in the Settlement. High government leaders went back and forth between the two cities, on official business or for other reasons. They came to Shanghai to look after their fortunes or after their concubines. The former were kept in the vaults of the Bund banks, and the latter in the Park Hotel on Bubbling Well Road—in black marble bathtubs. The silver reserves of the Government were kept in Shanghai, too. And T. V. Soong and H. H. Kung, the two financial trustees, both had their homes in Frenchtown.

The two were not on speaking terms. They held different views, had different sets of friends, and used different newspapers to express their opinions. This cleavage, which threatened to cripple the whole machinery of the Soong government, gave rise to much gossip and speculation—the most widely accepted view being that the conduct of Mme. Kung was chiefly responsible for it. Her activities were, by now openly discussed. Rumors, which occasionally found their way into the press, alleged that the private fortune of the Kungs had reached fantastic proportions. It was an open secret that the generalissimo, like T.V., disliked them. But Mme. Kung was pictured as “very savvy,” and said to us her influence with her youngest sister, Mme. Chiang, to perpetuate her husband’s position.

But T.V. was still the master mind behind the Soong government. He was consulted in every crisis. His advice, at least in matters political, was command. He was the one who had to fly all the way up to Sian-fu to save the generalissimo. As Governor of the Bank of China he was by far the greatest banker in Shanghai. His establishment surpassed every one of the Bund banks. It had one hundred and eighty branches throughout China, and nearly half of its three hundred and fifty million dollars’ worth of loans had been handed to the Government.

The Soong government had lived up to the keenest ex-

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pectations of the taipans. The compradore institution, created for a very definite purpose, had grown beyond its bounds. Side by side with white taipan society a Chinese compradore society had risen. Its members controlled China. They aped Western ways of living. They sent their sons to European and American universities. And they never quite trusted their sullen compatriots who remained in those smelly villages where their children still played in the pools with the pigs. They were, by now, almost as far removed from the four hundred million as the taipans themselves. The contacts the taipans had with China were with this group, exclusively.

These contacts encouraged the leading compradore family to approach Great Britain with a new idea. When H. H. Kung went to London, in the spring of 1937, as China's delegate to the coronation of King George VI, he carried in his pocket plans for an enormous British loan to his Government. He had devised several new and important sources of government revenue which he intended to pledge as security—in addition to the maritime customs, the railways, and the salt gabelle which were already pledged for previous loans. Besides, the new investment would give Britain a preferential position in many lines of Chinese imports; the result would be a virtual monopoly. British-Chinese trade relations had been so close of late, and the influx of private British capital had been so considerable, that H.H. did not question the success of his scheme. The British Government, no doubt, would sign on the dotted line. The shrewd little banker expected to take home a billion dollars, Chinese.

The Chinese Government, in other words, had decided to sell out to the one power that had been wanting to buy China for the last hundred years. The idea was, perhaps, less unpatriotic than it appeared. It was, perhaps, conceived as the one possible measure for preserving China's national

integrity in the face of Japanese aggression. The violent reaction with which the loan scheme met in Japan illuminated its political implications. With much vehemence and venom, Japanese spokesmen asserted that such an agreement would be a "menace to Oriental peace," an "infringement on Japan's position as the chief stabilizing force in the Orient and a threat to the peaceful relations between China and Japan."

But the most curious development kept Kung from getting the British Government's signature. In London, the envoy of Japan joined hands with the envoys of Shanghai in thwarting the ambitious scheme. The motives of His Excellency the Japanese Ambassador, who stated that Japan was ready "to return to the path of international co-operation from which she had strayed a few years ago," were clear. The motives of the British community in Shanghai which acted through its permanent London lobby were less clear. To understand them one has to go back to that bizarre phenomenon, the Shanghai mind.

The Shanghai mind was not made in Shanghai—although it developed its finer points in the big leather thrones on the second floor, if not at the long bar downstairs, at No. 3, The Bund. Like the Shanghai Club, it was essentially British. Its roots reached far into the distant lands of Africa and India where British "taipans" had lived and traded, fought and died, long before the *Nemesis* had steamed up the muddy waters of the Whangpoo. British traders had built their hong's along the slippery towing path which was to become the Bund. In front of their hong's there were pretty gardens; but their backyard was China—China as vast, as hostile, as dangerous as Africa and India.

When the Chinese mandarins allowed the British merchants to settle on the muddy flat, they congratulated them-

selves on their own cleverness. How could business ever thrive in the swamps? But the taipans had rammed their logs into the mud and had built their houses. They had built a city, their own city, on a piece of rented mud. In the face of four hundred million hostile people they had gone after their business, with dogged optimism. A dozen times, they had to leave their offices and to shoulder their rifles and to fight for their city and their trade. A dozen times they despaired of their own government. But they never despaired of their own future, the future of Shanghai. A dozen times, others might have pulled their stakes and gone home. But they were British and they always returned to their desks and to their drinks as if nothing had happened.

For all their vices the taipans retained one great virtue: hope. They lived and traded out here, on the frontier of empire. It was not pukka to mention the danger that was looming large behind the Bund. But they knew: if the unspeakable should ever happen, their rifles and their tanks and their good gray ships would not suffice. They knew that hard steel would break like straw if the dreaded last storm should ever sweep down from the peaks and plateaus of Asia. They knew: one single sultry night could hold the end of all white men in Shanghai. They knew all this, when they rolled along in their rickshaws, down the Bund, up Nanking Road, up Bubbling Well, up through ten thousand blank faces—streaming mankind in blue.

They kept the Chinese out of their houses and clubs. Britons in Bombay and Mombasa did the same thing. Whenever a Chinaman attempted to trespass on their sacred rights, they saw red. But the red that they saw was the imperial red covering one quarter of the inhabited globe—the Empire. Three generations of taipans had handed down a tradition. The tradition required constant vigilance for the sake of

Shanghai. It required constant readiness to fight for the city of the muddy flat. Against whom? China.

Commercially, the taipans could be on intimate terms with the people of China who were so poorly represented by the compradores. Otherwise, they had to be adamant—in line with the tradition. They had to fight for every inch of their prerogatives and even their final yielding had to look like victory. It took them sixty years to give the Chinese representation in the Council. When they opened their parlors to Chinese ladies and gentlemen, it was a political event. Even their hotels, during the last few years, admitted Chinese. It was an important relaxing of established rules. Before this Chinese visitors, even if they were the Minister of Finance himself, had to sneak in through the back door and their foreign friends had to receive them in an isolated room. They were not allowed into the lobby or the elevator. Now in those last few years, smartly dressed Chinese youngsters of Shanghai's *jeunesse dorée*, enjoyed the tea dance at the Astor House—one of the most distinctly British hotels in the world. Silk-clad Chinese millionaires now dined at the Cathay leaving their bodyguard downstairs. But this was as far as the taipans went, to show their good will. Their homes were still closed to Chinamen. So was the Shanghai Club, No. 1 The Bund.

The American community had inherited the Shanghai mind with certain modifications. They had no previous experiences in other dark continents, no empire to worry about. Their Chinese investments never surpassed the two hundred million dollar mark (U.S.), compared to the British billion. But they had stepped into a building that British architects had built and made themselves at home. Their different background did not interfere with the working of the Shanghai mind.

The Shanghai mind could not approve of a political man

riage with China. It could not conceive an intimate alliance with the hostile crowd in the backyard. Three generations of taipans had defended their city against China. It was too late to turn this intimate antagonism into close friendship. It was against the tradition to ignore the common interest of the treaty powers and to turn against Japan. It was un-British and unfair—even if Japan had done this very thing before and even if she was likely to do it again. If Shanghai had to die, it should die the way it had lived. You could raze a city of four million; but you could not change the Shanghai mind. Here ended the re-thinking of the Shanghai scheme.

Thus in the early summer of 1937, when the British Government had arrived at the crossroads of its China policy, the taipans used their influence in London to prevent an agreement with China which would have embittered Japan. They sacrificed great potential profits. And they clung to the idea that it might yet be possible to reach an understanding with Japan—Japan, whose rights in China were based on unequal treaties, like the rights of Great Britain, the United States, France and nine other nations. Maybe the idea of another scheme was in the back of their heads: a Jack Spratt scheme which would give Japan the north and leave the taipans in possession of the fat Yangtze Valley. But it was in the summer of 1937, and no time was left for suave diplomacy.

H. H. Kung came back from London with empty hands. The stage was set.

CHAPTER XV

The Last Taipans

SHANGHAI undertakers were given to a strange superstition. Whenever the wooden coffins that were stored in their back rooms began to crack they knew that they would be sold very soon. And in those sweltering August days of 1937, the coffins in the back rooms of the Shanghai undertakers were cracking most persistently.

The north of China was ablaze with war. On July 7th, the first shots had been exchanged between Japanese and Chinese soldiers at the Marco Polo bridge near Peking. The Japanese, greatly encouraged by British indulgence and by Chinese inactivity, had launched another drive for empire. They were busy gobbling up those rich and densely populated provinces in which they had maintained a "special position" for the last few years. The Nanking Government, so far, had not shown much interest, and the widely advertised Soong air force (the birthday gift) remained in its hangars.

When a month had passed without the expected Chinese counterattack in the north, the people of Shanghai began to understand. They understood that the big battle would not be fought in the distant kaoliang fields of Hopch. They felt that their own great city was marked for another clash—a clash which would make all the battles of the last ninety-five years look like alley scraps. The people of Shanghai

were afraid. Once again, the shopkeepers, merchants and coolies of Chapei and Nantao had packed their meager belongings and their screaming children into wheelbarrows. They were crossing the bridges that led into safety, more of them every day. Rents went up in the Settlement and in Frenchtown. Seven dollar rooms could be had for twenty-five. Some of the landlords asked for a deposit covering the first three months. And the refugees squatted on the fore-shore of the Bund in the blistering heat and did not move. They camped there, with the milch cows that some of them had driven along. Many of the men and women were herded into refugee camps that were improvised, by the municipal authorities, in Chinese amusement parks.

Quietly, the Japanese had begun to evacuate their nationals from the cities of the Yangtze Valley. Nearly three thousand of them passed through Shanghai on their way out, aboard Japanese gunboats. There was an ominous concentration of Japanese men-of-war in the harbor. At the same time Chinese soldiers began to pour into the suburbs of Shanghai. Some were members of the Peace Preservation Corps that had been created after the truce of 1932. Others were part of the generalissimo's Eighty-eighth Central Division, one of the crack units of his German-trained army. Sato-san and Kato-san preferred to stay in their homes. Shanghai was getting hot.

The Chinese people clamored for national resistance and the generalissimo had to act. This time he could not evade the issue. He could no longer chase Communists because the Communists had become his friends. He could not leave the Nineteenth Route Army in charge of the Shanghai front because there was no Nineteenth Route Army at hand. He could no longer excuse himself without risking his job. He had been at the head of the nation for the last ten years. And the nation wanted him to fight the invader. So he did

—although he knew, better than anyone else, that China was still not ready.

The generalissimo decided to challenge the Japanese in Shanghai. He refused to send his divisions up to the northern front where they could easily be cut off and annihilated. Shanghai was only a hundred and ninety miles from Nanking, by train. The dispatch of a large force to Shanghai involved little risk. Besides, the war of 1932 had proven that the defense of the four million metropolis with its crooked alleys, its bridges and canals, was relatively easy. The idea of extending the Japanese front and of easing the pressure in the north might also have influenced the generalissimo's decision. Finally, there was the possibility of international intervention in behalf of China, once the security of Shanghai's International Settlement was jeopardized. These were the reasons why Chiang Kai-shek and his German advisers chose to fight the Japanese in Shanghai rather than in the distant kaoliang fields of the north.

On August 9th, at six thirty P.M., Sub-lieutenant Isao Ohya-ma, commander of the first company of the Japanese naval landing party, motored along Monument Road to the west of the Settlement. His car was driven by Yozo Saito, first class seaman. Both were in uniform. They had inspected some Japanese cotton mills and were now trying to "inspect" the Chinese Hungjao airdrome.

Their bodies were found by the roadside, horribly mutilated, riddled with bullets.

Ten thousand picked Chinese soldiers dug in at Shanghai. They threw up barricades and waited for their orders. Twenty-one Japanese warships moved up the Whangpoo. A thousand Japanese bluejackets were landed to reinforce the garrison. The ambassadors of Great Britain, the United States, France, Germany, and Italy sent urgent appeals to

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Nanking and Tokyo, demanded the exclusion of Shanghai from the zone of hostilities. The international commission, set up in 1932 to watch over the demilitarization of the Shanghai zone, met in an atmosphere charged with tension and distrust. The Japanese submitted their demands: withdrawal of all Chinese forces from the demilitarized zone. The foreign consuls pressed for a last-minute agreement. An O.K. from Mr. O. K. Yui, Chinese Mayor of Greater Shanghai, was needed. It was not given.

On August 11th the taipans warned the Chinese not to fight. "However bitterly Japanese aggression may be resented it can hardly be denied that its extension would be encouraged rather than stayed by physical resistance from the Central Government and would be accompanied by such complete destruction of China's resources that all hopes of national reconstruction might have to be indefinitely postponed," said the *North China Daily News*.

On August 12th, at noon, the telephones of the Japanese naval landing party, of the Japanese Consulate, and of several Japanese firms went dead. At the same hour large units of the Chinese Eighty-eighth Division arrived at the North Station, piled up sandbags and blocked the roads leading into the Settlement. All Japanese civilians left the sectors north of Soochow Creek. The British, French and American consuls sent a last importunate note to Tokyo. While it was translated by the clerks of the Foreign Office there, the first shots were fired at Yokohama Bridge, on the northern border of the Settlement. That was on Friday, the thirteenth.

Shanghai, for the last time, was guarded by a formidable international force. American marines were watching the front along the Chinese city of Chapei. To their left British forces patrolled several miles of border line; to their right the Shanghai Volunteer Corps stood pat. Five thousand Japanese bluejackets had gone into battle formation along the

edges of the Japanese section of the Settlement. They were faced, across the barricades, by thirty thousand Chinese regulars. The entire civilian population had cleared out of the battle zone.

The next day it happened. It was the fourteenth of August, 1937—ninety-five years and two months after the *Nemesis* had shelled the Woosung forts. It had been raining all night and the air was sticky and warm. When the clouds dispersed, late in the morning, Chinese planes took off for bombing raids. They dropped their missiles over the Japanese fortress, over the Japanese cotton mills, and over Japanese warships lying in the Whangpoo. They did not do much damage.

After a few hours of repeated raids, the Chinese pilots, apparently, became a little nervous. They came lower, concentrated their attacks on the big old-fashioned battleship *Izumo*, flagship of the Japanese naval forces. Three times the Chinese planes zoomed over it, three times they dropped bombs, three times they missed. Some of the bombs fell into the Whangpoo, others landed on the British Shanghai-Hongkew wharf. The third attack was carried out by ten planes. The pilots, unexperienced youngsters, had lost their patience by now. They circled back—to attack once more or, maybe, to call it a day. It was half-past five in the afternoon.

Four Chinese bombing planes, American-built Northrops, had swung away from the *Izumo* in the direction of the Bund. When they were over the Nanking Road intersection, two black dots appeared below one of the planes.

Bombs.

The taipans stood on the rooftops of their white office buildings and watched the two dots grow bigger. Death had come to the Settlement, and the taipans were there, with binoculars, to watch their city die. It took the two black dots a few seconds to become large whining, hurtling pro-

jectiles. But those few seconds held Shanghai's entire life as a man's last moments hold his. They held the first encounter with silk-clad mandarins—the hopes and fears of the Taiping days—the battle of the Muddy Flat—duck-shooting excursions up Soochow Creek—the great excitement of the Boxer war—big shears that clipped Chinese pigtails—a funeral for a dead coolie—a salvo that left twenty-five students on the pavement—the coming of a Red general—the dusty foreloopers and their gallant fight—the days of disappointment and depression—and all the great and glorious days—the silk boom, the opium boom, the real estate boom, the rubber boom, the shipping boom, the silver boom. They held, those last few seconds, the names of Shanghai's gentlemen, living and dead—Rutherford Alcock who stopped fourteen hundred grain junks—"Chinese" Gordon—one Augustus Broom who had won the first paper hunt on a pony called "Mud"—Mr. Mason who wanted to become Emperor of China—Mr. Henchman whose business was prosperous and Mr. Meager whose business was not so good—Dou Yu Seng who did the dirty work—Mr. Chester Fritz whose wife wore a turban and Mr. O. K. Yui who was adamant.

The two bombs came plunging down on the Settlement's busiest intersection, where Nanking Road met the Bund. One of them crashed through the roof of the homey-looking Palace Hotel which was jammed with foreign and Chinese guests. The other landed at Sir Victor's doorstep, blasting a deep crater into the sidewalk a few yards from the main entrance of the Cathay Hotel. Both of them were high-explosive projectiles. The Bund and Nanking Road were swarming with people. The death toll was terrific. Seven hundred and twenty-nine people were killed. Another eight hundred and sixty-one were wounded. More than twenty foreigners were among the dead, among them an American

professor. Half an hour later, a single Chinese bomber dropped two more bombs on the crowded intersection of Avenue Edward VII and Thibet Road. The Great World amusement park was wrecked. It had been turned into a refugee camp the day before and was filled with men, women and children. One thousand and twelve were killed, one thousand and seven wounded.

The planes were Chinese and so were the bombs. It was the last sardonic joke that history held in store for the city of the muddy flat. It was the last bloody confirmation of the righteousness of the Shanghai mind. Japan had started this war; Japan wanted the China trade, wanted the rich Yangtze Valley, wanted the monopoly enjoyed, thus far, by the white taipans. But the Japanese had not troubled to take pot shots at white men. It was China, the vast uncanny country behind the Bund, that had hurled death into the Settlement. Slow-moving, bewildered Chinese pilots could not help, in these last crucial days, opening their bombing racks directly over Nanking Road and the Bund and Thibet Road and Avenue Edward VII. It was great marksmanship, and it was done by mistake. The people of China had acted. And their destructive step was much in line with the way they had "acted" throughout the ages: as an ungoverned elemental force—without premeditation.

China had acted; the compradores apologized. "The generalissimo is shocked and grieved," Madame Chiang stated the next day.

The exodus began. Runners were going from house to house, ringing doorbells: evacuation. At No. 3, The Bund, British families had to register before they left Shanghai. Women had not been admitted to the Shanghai Club throughout its history, except for the annual ball. Now the sanctum sanctorum of the taipan days was thrown open to women and children. They came in, after nine o'clock in

the morning, and declared their desire to leave. Then they went home and packed. They were in a hurry: British authorities had spread the word that the Chinese army might invade the Settlement at any minute, and that white women might be raped by the generalissimo's soldiers. . . .

Quietly they went. It was a breezy day; the river was choppy. The big ships had anchored downstream, to avoid falling shells, and it was a rough trip for the packed launches. Some groups had to be taken down on destroyers. They stood there, on the Bund, quietly, with their children. White refugees. Their eyes were dry and there were no pathetic scenes. The steady thunder of the artillery bombardment made it difficult to say even those two syllables—good-by. But when they reached their ship, the orchestra played, and there was plenty of milk for their babies.

It was the first time, in all these years—evacuation. The little word embraced so much: lost face, lost hope, a lost city. Thousands of them had gone; Britons on the *Rajputana*, Americans on the *President Taft*, the *President McKinley*, the *President Jefferson*, Germans on the *Oldenburg*, Dutchmen on the *Tasman*. The ships' orchestras played.

Behind them hell broke loose. The heavy guns of Japanese warships were shelling the city day and night. Planes were zooming overhead. Every so often, they swooped down, and deafening detonations followed. Blasts of anti-aircraft fire rocked the Settlement. The short intervals were filled with the rattling of machine-guns and occasional rifle salvos. Death struck anywhere, within the Settlement and without.

At night the skies were ablaze with brilliant searchlights and terrifying star shells. The guns of Japanese destroyers pounded the Chinese batteries ashore, and the Chinese batteries fired back, point-blank. Ragged clouds were lit with the silvery flare of tracer bullets. It was the hottest time, by far, the town had ever seen.

The taipans met at No. 3, The Bund. Their wives and children had left. Shanghai had become a man's city again. They had no fear for their lives. The *Duncan*, a British destroyer, had dropped anchor directly off the Shanghai Club, to land its marines. A battalion of Royal Ulster Rifles was speeding up from Hong Kong. The men who had remained were safe. Their lives had been spared. What were they to do? Discussing things over a last round of whiskies, the taipans found that their opinions were divided. Some of them stood by their old credo—Japan was a treaty power, was fighting the battle of the taipans, was bringing law and order to China. Others were silent. They knew that it was all over.

They knew that this was the end—in *any* case. If China should ever win this war, if the generalissimo's army should push the Japanese into the muddy river, they would push the taipans along with the Japanese. There would be no room for another compromise, after such a victory. A new, re-born, nationalistic China would achieve what the Japanese mandarins and war lords had tried to achieve in vain. There was no hope for compradore-diplomacy.

If the Japanese should win, there was no hope either. Shanghai's position was founded upon its connection with the bustling towns, the filthy villages, the markets and fields of its hinterland. The Shanghai scheme had worked as long as this hinterland, with its four hundred million people, was Chinese soil. If Japan's armies should take possession of the Yangtze Valley, Shanghai would be deprived of its daily food. The city of the muddy flat would be at the mercy of those little brown fellows who had set out to conquer an empire for the factories of Osaka. They would be able to impose their laws, their money, their cotton goods, their machinery, and their tariffs on the rich and feeble provinces back of the Bund. The steady stream of international trade and shipping that had been flowing through

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Shanghai would shrink to a modest trickle. And even if the victors should choose to take advantage of Shanghai's commercial facilities, even if they should use its mechanical devices as one may use a captured tank, the glory of the taipan days was gone. Already the last of Shanghai's silver had been shipped down to Hong Kong, and thence to London. Already, Shanghai's trade had been diverted to safer ports. Already, Shanghai's industries had begun to move inland, to safer cities. They would not return. The city of the muddy flat had ceased to be the safest place in China. Its sanctity was gone, along with its prosperity. It would not reappear.

The Japanese might attempt to step into China's old treaty rights and tell the taipans that their privilege to "settle and to reside" under their own jurisdiction had been scrapped. Or they might leave them there, guarding an open door that led into nowhere, with the right of "carrying on their mercantile pursuits without molestation or restraint." What did it matter? The Japanese had left no doubt about their determination to end the White Man's glamorous career. Shanghai, as the White Man's most successful enterprise in the largest and richest continent of the world, had ceased to exist. Shanghai, and all of China, could never again be a comfortable place for white men to work.

The taipans knew: it was all over.

In the three months that it took the Japanese to drive the Chinese forces out of Shanghai, a number of equally shocking "mistakes" followed the first Nanking Road bombing. The taipans took them for what they were—Freudian slips. A single plane flying at an altitude of twelve thousand feet sent one of its missiles down to upper Nanking Road where it was flanked by big department stores. The explosion shook

the city like an earthquake. Windows were shattered for a mile around.

It was during the lunch hour and the bomb plunged into a crowd thick as a cluster of bees. Sincere's was struck by a direct hit, and the side of Wing On's caved in. Both stores had been filled with shoppers. A fraction of a second transformed them into a shambles. Ceilings fell, elevators jammed, glass splinters were whirling around; through a maze of showcases and corpses, crowds stampeded to the gates. Children were trampled underfoot. Men and women screamed, were insane with fear. Bodies were grotesquely diaped on balustrades dangling over the streets. Scores of them were laid out in rows along the counters, neatly, as if for sale. Two hundred and fifty were dead, five hundred and fifty-eight wounded. On the street below, in the midst of an unspeakable holocaust, a handful of white men commandeered rickshaws and helped the wounded away. No one had seen the plane above, and the havoc was taken for the result of naval gunfire which might be repeated any minute. A sightseeing bus had been held up by the explosion. It had a sign which said "interesting, educational and entertaining."

The battle continued unabated. For three months, China was fighting for her life in the streets of Shanghai. But as the Japanese hurled reinforcements after reinforcements against the Chinese lines, the defense began to crumble. Slowly, and with heavy losses on both sides, the generalissimo's armies were pushed back.

In November, the Chinese forces abandoned Shanghai. An army of ninety thousand Japanese pursued them up the Yangtze, forging ahead into a crucified land. The war moved on and Shanghai was left behind.

Shanghai was left behind. Silence fell upon the city. It was a strange silence after the infernal din of the war; a heavy, stifling kind of silence: the silence of death. Vast sec-

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tions of the city had been laid waste. Thousands of houses and factories had been bombed to pieces. This time death had done a thorough job. It was final. The big white office buildings, banks and hotels were still there, along the Bund, overlooking the muddy stream below. No one had bothered to destroy them. But behind their windows, life had stopped; and in their forgotten splendor they looked more formidable than ever. They made a front, just as great and as impressive as yesterday, for the gigantic carcass that was Shanghai, the city by the Yangtze mouth.

Six thousand Japanese paraded through the Settlement, from Brenan Road to the Garden Bridge, to celebrate the victory. They marched past stolid mankind in blue, past ten thousand blank faces. When they moved through Nanking Road, a single bomb was thrown at them. Its explosion caused little damage. In the center of Garden Bridge which led into the area under Japanese control, Japanese sentries were stationed. They wore dark uniforms and antiseptic masks, and an order of the Japanese garrison commander requested foreigners and Chinese to respect them "by giving a gentle bow and wishing them Good Morning." And there were people who felt that the gentle bow was not without significance; and that the polite Good Morning opened the funeral rites for the great white city of the East. The four million metropolis, crouching monster-like near the mouth of China's mightiest river, sucking in half of China's trade and guarding China's silver, had given up its ghost,

And there were some who thought that it had been a great and beautiful city for all its avarice . . . the city that had eaten the lives of a million coolies . . . that had eaten the lives of thirty villages and towns as it grew . . . the city that had a street where they sold nothing but pink baby bonnets . . . the city where they heaved four billion cubic yards of mud out of the river every year . . . the city of the

muddy flat. There were some who thought that it was a pity, after all.

Pestilence crept into the Settlement from the devastated quarters across the Creek, where thousands of Chinese peasant sons were rotting away, where rats and dogs were feasting as they had never feasted before.

And Kuan Ti, the god of war and peace, looked down upon his work. He was a red-faced and rather tallish chap, and he always carried his broad sword; for seventeen hundred years ago, in the time of the Three Kingdoms, he had been a mighty general.

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